Group Risk Committee and Risk Management Report

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In 2012, we enhanced our risk management approach by establishing the Group Risk Committee ("GRC") and introducing the Group Risk Register (the "Register") as a framework to enhance focus on existing and potential risks.

The GRC developed the Group Risk Committee Charter as its governing instrument. This document outlines the membership, meeting format and frequency, responsibilities for risk oversight and reporting, implementation of the Register, and the reporting line that applies to the Committee.

2012 Our Enhanced Management Approach

The GRC formulated the Register as a framework that allows the Audit Committee and GMC to have a better overview of the Group's major business risks and how management has sought to monitor and mitigate them. The Register, comprising the key risks identified, refined and calibrated by GRC, along with detailed action plans, was reviewed by the Audit Committee. The Register assesses risks in four categories: Financial, Operational, Strategic, and Compliance. Within each category the principal risks facing HSH that could have a material effect at the Group level are identified and each risk will be regularly evaluated based on its potential financial impact and likelihood of occurrence. For all key risks, existing controls are identified and assessed as well as the ability, benefit and cost to improve them.

The enhanced approach to risk management together with the Register have been introduced as a pilot programme at The Peninsula Hong Kong, The Peninsula Chicago and selected Head Office functions. Feedback and comments from these pilot operations and functions have been collected and reviewed by the GRC for fine tuning for further application across all other operations and applicable functions. The intent is to build up a comprehensive risk map across all operations during 2013. Efforts in building up a more formal, robust and considered system will continue with the aim of bridging gaps, reinforcing risk ownership, defining Group level risk criteria, and standardising risk language across the Group. A detailed description of the selected principal risks is set out on pages 128 to 130.

The GRC also introduced a group-wide incident reporting policy to improve transparency and oversight over operational risk and to better assess trends and areas of weaknesses. This removed inconsistencies of reporting by different operations through different channels and means in the past. The handling of the incidents and follow up actions are also monitored by GRC. There was no incident of a material nature which needed to be brought to the attention of the shareholders.

Group Risk Management Approach

We have developed a specific risk management approach to identify, assess and manage the risks set out in the Register from both strategic and operational points of view. We regularly review such approach and dedicate adequate resources in maintaining and improving the system for better protection of the interests of our shareholders and stakeholders.

Key risks, after being consolidated, refined and calibrated by the GRC, are reviewed by the Audit Committee and considered and agreed upon by our Board, with relevant detailed action plans in place.

We apply our risk management approach throughout the entire Group from senior management to staff at operational level with the functions of each being as follows:

- **Board:** carries the overall accountability for the risk management practice of the Group.
- **Audit Committee:** focuses on the robustness of the risk management process and oversees the Group's major risks.
- **ARM:** assists the Audit Committee by conducting internal reviews of the Group's operations, in particular, the review of material controls in the areas identified in the Register.
- **GMC:** oversees how our properties and functions have sought to monitor and mitigate the risks and the effectiveness of the Register.
- **GRC:** acts as a co-ordinator to ensure that each operation addresses those risks identified, tracks progress of mitigating plans and activities of key business risks and reports on examination of specific risks as required.
- **Business Units:** ensure compliance with the risk management policies and procedures set up by the Group and monitor and report risk profiles and implement actions.

Risk Mitigation Framework

Our risk mitigation framework is structured around the following key elements:

- **Plan:** Mitigation plans developed and owned by each operation and risk owner.
- **People:** Clear roles and accountability for risk owners, management and ARM.
- **Process:** New controls and mitigation built into operations and continually monitored and reviewed.

These elements form the core of our risk mitigation framework and allow us to continuously assess and address the changing risk universe within which we operate.

Risk Mitigation Framework

Plan

Risk Reviews:

Assessment of risks in a prescribed format ("Register").

Potential risks, which may have a material impact on the Group, are monitored and discussed at the GRC.

Top risks for each operation are scrutinised to ensure that mitigating measures are in place or in progress.

Policies & Procedures ("P&Ps"):

P&Ps help ensure that management's risk responses are carried out when HSH employees deal with specific risks.

P&Ps set out accountability for risks, roles and responsibilities and actions that are measurable and auditable.

People

Employee Training:

Face to face and online training to provide appropriate skills and knowledge.

Regular communication to raise awareness.

Management Oversight:

On-going oversight of operational activities to manage risk.

Appropriate delegation of authority, proper supervision of employees, and monitoring of outsourced activities.

ARM – Independent Assessment:

Evaluate the efficiency of risk reviews, policies, training, management oversight, incident reporting and insurance arrangements. External expertise is used for some technical assessments.

Process

Incident Reporting:

All major incidents identified are reported to the GRC.

Data derived from past, present, and potential events help determine the Group's risk considerations.

Insurance Arrangements:

Consider financial impact of risks and ensure that adequate insurance coverage is in place – in particular for property damage and third party and employee injuries.

Selected Principal Risks

Unforeseen natural disasters, macroeconomic and other factors could affect our business and reduce earnings

Risk Description	Risk Mitigation
So called "Acts of God", macroeconomic and other factors such as hurricanes, typhoons, floods, earthquakes, and other natural disasters, and man-made or man-contributed disasters, such as terrorist activity, war, threat of war, and contagious diseases such as H1N1 Flu, Avian Flu, and SARS, in locations where we own or manage significant properties, and areas of the world from which we draw a large number of customers, could cause a decline in the level of business and leisure travel and reduce the demand for lodging, which could adversely affect our revenues and reduce earnings.	• Comprehensive insurance coverage for properties and businesses • Properties designed and built to reduce inherent risks • Crisis Management Team established with qualified and experienced professionals (internal and external) • External specialist assessment to benchmark our processes and controls

Acquisitions and investments in businesses and properties may be unsuccessful

Risk Description	Risk Mitigation
We intend to consider strategic acquisitions of and investments in other properties or other assets. Furthermore, we may pursue these opportunities in partnership with third parties. Acquisitions or investments in properties or assets as well as these partnerships are subject to risks that could affect our business, including risks related to spending cash, incurring debt and creating additional expenses. In addition, any such acquisition, investment, or partnership would compete for significant resources from our management personnel that would otherwise be available for our regular business operations.	• Adequate due diligence process, including but not limited to: – employing services of qualified and experienced professionals (internal and external) – developing complete and detailed integration plans and business strategies

Inability to fund capital expenditure to maintain and renovate existing properties could reduce our profits

Risk Description	Risk Mitigation
Capital expenditure to develop, maintain and renovate our existing properties is critical to our business. If we are forced to spend larger amounts of cash from operating activities than anticipated to operate, maintain or renovate existing properties, our ability to invest in new business opportunities could be limited. In addition, we may need to postpone or cancel other planned renovations or developments to meet such cash demands, which could impact our ability to compete effectively.	• On-going regular maintenance of hardware standards • Continuous monitoring of furniture, fixture & equipment spend by operations and Head Office

Inability to retain and attract retail and commercial tenants could decrease our revenues

Risk Description	Risk Mitigation
We have invested capital and resources in developing retail and commercial space in our properties. If such initiatives are not well received by our retail or commercial tenants and their customers, they may not have the intended effect. In addition, commercial letting may become difficult, due to, among other things, decline in spend within the luxury industry, increased competition, or shifts of retail preferences leading to decrease in our arcade traffic. These could further trigger the decrease of overall competitiveness of our retail and commercial spaces concerned.	• Improvements in design of commercial space to allow flexible usage and conversion possibilities to accommodate tenants • Commitment to maintain high quality properties • Active engagement with current and future tenants • Diversification and maintenance of an appropriate mix of tenants

Failure to protect THE PENINSULA brand could reduce the value of our brand

Risk Description	Risk Mitigation
Our future success and our ability to manage future growth depend largely upon our ability to protect our reputation and brand to continue to attract guests, customers and tenants. Significant negative publicity could impact our business and reduce our ability to generate profits. In addition, some of our competitors may allocate greater financial and/or marketing resources than we do, which could allow them to improve their properties and marketing reach in ways that could also affect our ability to maintain and increase our market share.	• Significant effort into recruiting staff that fit our organisation, and to train and develop our staff for them to be able to provide the Peninsula experience • Crisis Management Team established by management with qualified and experienced professionals (internal and external)

Information technology system failures and obsolescence could harm our business

Risk Description	Risk Mitigation
We depend on advanced information technology to run our day to day operations, as well as our central reservation system. Our systems are vulnerable to damage and interruption from unforeseen circumstances such as fire, floods, power loss, telecommunications failures, computer viruses and break-ins. In addition, our information technology systems must be updated and replaced on a regular basis to avoid becoming outdated. If our systems fail or if we are unable to achieve the intended benefits of our new information technology systems which we invested in, we could become less competitive in the market and our business may be harmed.	• Written Standard Operating Procedures and Business Continuity Plan in place • Testing of manual procedures carried out during system downtime

Loss of key management could affect our business

Risk Description	Risk Mitigation
Our ability to maintain our competitive position is dependent on the experience and skills of our senior executives. Finding suitable replacements for our senior executive positions could be difficult. Losing the services of one or more of these senior executives could adversely affect and limit our ability to grow our businesses.	• Clear succession plans for key management positions

Significant staff shortages could restrict our ability to operate our properties efficiently

Risk Description	Risk Mitigation
Our properties around the world are staffed by thousands of trained employees. If we are unable to recruit, train, develop, and retain sufficient numbers of skilled employees, our ability to manage and service and business our properties adequately could be impaired, which could reduce guest, tenant and customer satisfaction. A shortage of skilled labour could also require higher replacement wages that increase our operating expenses.	• Regular employee engagement surveys and action plans • Training and development, career paths and property level succession plans, regular review of remuneration package

Failure to address health and safety issues could result in guest or employee injuries or illness

Risk Description	Risk Mitigation
Our operations, merchandise and the properties we own and manage are subject to extensive health and safety laws and regulations of various local and national governments. Failure to timely address health and safety issues or comply with these laws and regulations could expose us to costs and liabilities.	• Professionally certified premises and staff • Policies and procedures on handling food, waste, and any hazardous materials • Robust crisis management process, on-going risk assessment exercises, regular health consultations, etc.

Breach of data privacy could subject us to fines and costs

Risk Description	Risk Mitigation
Collection and usage of information relating to our guests, customers and employees for various business purposes, including marketing and promotional purposes, are governed by privacy laws and regulations in jurisdictions around the world. New privacy regulations could increase our operating costs, and impact our ability to market our products, properties and services to our guests. Failure to comply with applicable privacy regulations could also result in fines, and harm the value of our brand and impact our business.	• Implementation of Group-wide data privacy policy and manual and training • Assessment by data privacy teams across operations • Process for reporting and dealing with data breaches

Damage to reputation may be caused by negative comments on social media

Risk Description	Risk Mitigation
Negative comments made on social media, in the absence of a verification mechanism, including those by disgruntled staff and guests could damage our reputation. In addition, monitoring and management of social media could be costly and force us to divert our resources. Failure to maintain and protect our reputation from social media damage could tarnish our brand and impair our business.	• Implementation of Group-wide social media usage guidelines • Social media monitored by external service provider

On behalf of Group Risk Committee

Neil Galloway
Chairman of the Group Risk Committee

Audit Committee Report

The Audit Committee views the overall financial and operating controls for the Group during 2012 to be effective, sound and sufficient.

Role and Composition

The Audit Committee is empowered by the Board with the authority and duties in respect of financial reporting, internal control, risk management, and internal and external audit. The terms of reference of the Audit Committee are summarised on page 110 and posted on the websites of the Company and the Stock Exchange.

Our Audit Committee comprises three members.

Chairman: Mr. Patrick B. Paul, a Fellow of the Institute of Chartered Accountants in England and Wales (INED).

Members: Dr. William K.L. Fung (INED) and Mr. Ian D. Boyce (Non-Executive Director)

The Audit Committee met four times in 2012 and the Chief Executive Officer, Chief Financial Officer, the external auditor and the General Manager, Audit & Risk Management ("ARM") attended the meetings by invitation. The attendance record of the Audit Committee members of such meetings is shown on page 114 of this Report.

The Chairman of the Audit Committee also met separately with the General Manager, ARM and the Audit Committee met with external auditor without management being present during the year to discuss 2012 issues.

The Company Secretary is Secretary to the Audit Committee.

Main Activities in 2012

The Audit Committee conducted the following business in 2012:

- reviewed and endorsed the 2011 Annual Report for the year ended 31 December 2011 and the annual results announcement, and the 2012 Interim Report for the six months ended 30 June 2012 and the interim results announcement;
- considered audit plans and reports from the external auditor on its audit and its review of the accounts including accounting policies and areas of judgement and its comments on control matters;
- reviewed and approved external auditor's audit and non-audit fees for 2011 as described below, assessed the performance of the external auditors and endorsed the reappointment of KPMG as the Company's independent auditor for 2012;
- reviewed the new Hong Kong Financial Reporting Standards and approaches to the 2012 interim audit exercise;
- considered summaries of general representation letters from business operations before issuance of 2011 Annual Report and 2012 Interim Report;
- reviewed the adequacy and effectiveness of internal control and risk management systems;

- reviewed and approved the structure, adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions;
- considered internal audit reports submitted by Audit & Risk Management;
- reviewed and approved internal audit plan for 2013;
- endorsed the Charter for the Group Risk Committee and the Group Risk Register;
- endorsed the incident reporting policy and practices the Group developed in 2012;
- reviewed connected transactions and related party transactions;
- reviewed proposed changes to corporate governance practices and endorsed the same for adoption by the Board;
- reviewed and approved the expanded whistleblowing policy of the Group to cover channels not only for employees but stakeholders to raise concerns in confidence about possible improprieties in matters related to the Group; and
- reviewed the procurement process of the Group's insurance program including selection of broker and insurers, and determination of coverage.

Based on the reports from General Managers, ARM, and the external auditor, the Audit Committee views the overall financial and operating controls for the Group during 2012 to be effective, sound and sufficient. Issues raised by the internal and external auditors during 2012 have been, or are being addressed, by management and the Audit Committee recommended to the Board that there are no issues required to be raised to shareholders.

In respect of this Annual Report, including the Corporate Governance Report, the Directors' Report and Financial Statements for the year ended 31 December 2012 and the annual results announcement, after review and discussion, in March 2013, the Audit Committee endorsed and recommended the same to the Board for approval.

Ensuring the Independence of our External Auditor

We believe the independence of our external auditor is crucial to the effectiveness of our corporate governance and should not be compromised. The issue of auditor independence is taken very seriously and is reviewed annually. In 2012, apart from audit work, we also awarded non-audit work to our independent auditor including taxation services. The Audit Committee reviewed non-audit work performed by the external auditor and confirmed that there is no adverse effect on actual or perceived independence or objectivity of the audit work itself.

A summary of fees for audit and non-audit services to the Company's independent auditor, KPMG, for the financial years ended 31 December 2012 and 2011 is as follows:

Nature of Services	**2012 HK$m**	2011 HK$m
Audit Services	**9**	9
Non-Audit Services		
Taxation Services	**1**	1
Other Services	**–**	1

On behalf of the Audit Committee

Patrick B. Paul
Chairman of the Audit Committee

Nomination Committee Report

The Nomination Committee took on the mission of identifying a new INED with diversity in mind. The appointment of Dr. Rosanna Wong was an important milestone as we welcomed her as our first female Director in the history of the Company.

Role and Composition

The Nomination Committee is empowered by the Board with duties to review size, structure and composition of the Board. This includes the selection of new Directors for the purpose of maintaining an appropriate, adequate and balanced make-up of the Board that could effectively discharge its responsibilities. The terms of reference of the Nomination Committee are summarised on page 111 and posted on the websites of the Company and the Stock Exchange.

Our Nomination Committee comprises three members.

Chairman: The Hon. Sir Michael Kadoorie (Non-Executive Chairman)

Members: Dr. the Hon. Sir David K.P. Li (INED) and Dr. William K.L. Fung (INED)

The Nomination Committee met once in 2012 and the attendance record of members is shown on page 114 of this Report.

The Company Secretary is Secretary to the Nomination Committee.

Main Activities in 2012

The Nomination Committee conducted the following business in 2012:

- reviewed the structure, size and composition of the Board and the split between number of INEDs, Non-Executive Directors and Executive Directors and confirmed it to be appropriate;
- reviewed and adopted the terms of reference approved by the Board;
- reviewed the diversity of the Board; and
- identified Dr. Rosanna Y.M. Wong as an INED.

Board Diversity

It is acknowledged that until 2013, our Board lacked gender diversity. The Nomination Committee was delegated with the task of reviewing the Board diversity and followed the debate around the Stock Exchange's Consultation Paper on Board Diversity regarding gender, age, culture, educational background and professional experience. The Nomination Committee took on the mission of identifying a new INED with diversity in mind. The appointment of Dr. Rosanna Wong was an important milestone as we welcomed her as our first female Director in the history of the Company.

On behalf of the Nomination Committee

The Hon. Sir Michael Kadoorie
Chairman of the Nomination Committee

Remuneration Committee Report

HSH Rewards Philosophy is to ensure that compensation and benefits programmes designed for the Group and its executives are done according to the framework of various guiding principles.

Role and Composition

Our Remuneration Committee is empowered by the Board with the authority and duties in respect of the following:

- determine remuneration philosophies and policies;
- review and approve pay increase percentages;
- review and approve structure of bonus schemes for senior staff;
- determine remuneration packages for Executive Directors and senior management;
- review and recommend to the Board the Directors' fees of Non-Executive Directors and Board Committee fees of the Directors; and
- approve terms of letters of appointment of Non-Executive Directors.

The terms of reference of the Remuneration Committee are summarised on page 111 and posted on the websites of the Company and the Stock Exchange.

Our Remuneration Committee comprises three members.

Chairman: Mr. Patrick B. Paul (INED)

Members: Mr. Robert W. Miller (INED) and Mr. Ian D. Boyce (Non-Executive Director)

The Remuneration Committee met twice in 2012 and the Chief Executive Officer and General Manager, Human Resources attended the meetings by invitation. The attendance record of the Remuneration Committee members of such meetings is shown on page 114 of this Report.

The Company Secretary is Secretary to the Remuneration Committee.

Remuneration Philosophy for Executives

An HSH Rewards Philosophy has long been established and was approved by an earlier Remuneration Committee. This philosophy is to ensure that compensation and benefits programmes designed for the Group and its executives are done according to the framework of various guiding principles, including:

- linking pay to business results, market practice and non-financial goals;
- ensuring compensation and benefits programmes are legally compliant, locally relevant and globally consistent;
- providing a total remuneration package that rewards good performers competitively subject to periodical adjustments based on market movements and business performance; and
- promoting internal equity to ensure employees performing similar roles within the same market are rewarded fairly.

The Committee recognises that there is a competitive market for successful executive talent and believes that remuneration packages being offered must be set competitively with the market and at the right level to attract and retain the Company's executives.

All Executive Directors and senior management have service contracts, all terminable by notice. Review and approval of such contracts are within the scope of responsibility of this Committee. No individual is involved in the decision of his or her own remuneration. There are four components of remuneration paid to executives including Executive Directors and senior management.

Basic Compensation

Basic salaries are the primary element of remuneration and the general policy is to set them at the level required to retain and motivate employees, taking into account the scope and complexity of responsibilities, market pay levels in the defined markets, as well as individual performance and tenure of individual in a position. Basic compensation includes basic salary, housing and other allowances.

Bonuses and Incentives

The Committee believes that the provision of appropriate bonus and incentive awards for performance is vital to the continued growth to the business. Executive Directors' bonuses consist of contractual and discretionary components. Senior management participates in the HSH Management Bonus Plan which is a short term incentive scheme calculated by reference to financial and non-financial considerations as follows:

- Group's financial performance;
- individual performance;
- share price; and
- Group's quality measurement.

The Committee retains the discretion in the awarding of non-contractual annual bonuses.

Other Benefits

The benefits available to Executive Directors and senior management include, but are not limited to, health, life, disability and accidental insurance, club membership, and leave days.

Retirement Benefits

The Executive Directors and most of our senior management participate in the Company's retirement plan which is a scheme set up under the Occupational Retirement Scheme Ordinance of Hong Kong – The Hongkong and Shanghai Hotels, Limited 1994 Retirement Plan. The retirement contributions of the Company's plan for the Executive Directors, senior management and all other Hong Kong employees are made according to the plan's defined contribution level and vesting conditions. Employees are not required to pay contributions, although they may make voluntary contributions at their own discretion. Some senior management participate in a local plan instead of the Company's plan due to the local requirements.

Remuneration Practice for Non-Executives

Fees of Non-Executive Directors are fixed by shareholders at shareholders general meetings, while any additional fees of Non-Executive Directors for serving on Board Committees are fixed by the Board. The Remuneration Committee has the responsibility of reviewing Directors' fees and fees for serving on Board Committees and makes recommendations to Board. These fees are reviewed on an annual basis. No director approves his or her own remuneration.

In reviewing the fees, the Committee takes into account factors including estimated time required to discharge their duties, benchmarking against other Hong Kong listed companies of similar market capitalisation and business, and the overall value that the individuals bring to the Company.

Main Activities in 2012

The Remuneration Committee conducted the following business in 2012:

- reviewed fees for Non-Executive Directors and INEDs and additional fees for the same to serve on Board Committees. The Committee endorsed the increase in the fee for the Chairman of the Remuneration Committee and the fees proposed for the Chairman and members of the Nomination Committee which were approved by the Board;
- reviewed and updated terms of letters of appointment for Non-Executive Directors and INEDs;

- reviewed and approved the proposed changes to methodology of the HSH Management Bonus Plan by increasing the importance of Group quality factors and performance of individuals and extending the eligibility of more management employees in the United States;
- approved the discretionary element of the annual bonuses for the Executive Directors;
- approved the group-wide 2013 general salary increase proposal taking into account various factors including market pay trend, inflationary forecast, labour market outlook and the Group financial performance. The Committee reviewed the rationale that supported the proposed increase rates for each operation and took into consideration its impact on staff motivation and the continued pressure on the Group's profit margins in 2012. Executive Directors and senior management were also eligible for the approved 2013 general salary increase; and
- approved the revised remuneration package of the Chief Operating Officer and one member of senior management.

2012 Remuneration of Directors and Senior Management

The below information is an integrated part of the Audited Financial Statements for the year ended 31 December 2012.

Non-Executive Directors – Remuneration

The fees paid to each of our Non-Executive Directors in 2012 for their service on the Company's Board and, where applicable, on its Board Committees are set out below:

Higher levels of fees were paid to the Chairmen of the Audit Committee and the Remuneration Committee indicated by "C". Executive Directors serving on the Board and Board Committees are not entitled to any Directors' fees.

HK$'000	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Total 2012	Total 2011
Non-Executive Directors							
The Hon. Sir Michael Kadoorie (1)	200	100	–	–	8	308	300
Mr. Ian D. Boyce	200	100	120	50	–	470	463
Mr. Ronald J. McAulay	200	–	–	–	–	200	200
Mr. William E. Mocatta	200	–	–	–	–	200	200
Mr. John A.H. Leigh	200	100	–	–	–	300	300
Mr. Nicholas T.J. Colfer	200	–	–	–	–	200	200
Independent Non-Executive Directors							
Dr. the Hon. Sir David K.P. Li (1)	250	–	–	–	8	258	231
Mr. Robert C.S. Ng (2)	117	–	–	–	–	117	231
Mr. Robert W. Miller	250	–	–	50	–	300	281
Mr. Patrick B. Paul (3)	250	–	175(C)	58(C)	–	483	428
Mr. Pierre R. Boppe	250	–	–	–	–	250	231
Dr. William K.L. Fung (1)	250	–	120	–	8	378	344
	2,567	300	415	158	24	3,464	3,409

(1) The Hon. Sir Michael Kadoorie, Dr. the Hon. Sir David K.P. Li and Dr. William K.L. Fung were appointed as members of the Nomination Committee with effect from 30 March 2012. The fees are applied on a pro rata basis for the financial year ended 31 December 2012.

(2) Mr. Robert C.S. Ng stepped down as a member of the Audit Committee and a Director with effect from 3 January 2011 and 19 June 2012 respectively.

(3) The fee for the Remuneration Committee Chairman increased to HK$60,000 per annum and is applied on a pro rata basis for the financial year ended 31 December 2012.

Executive Directors – Remuneration

The remuneration paid to Executive Directors of the Company in 2012 was as follows:

HK$'000	Basic compensation	Bonuses and incentives	Retirement benefits	Other benefits	Total* 2012	Total* 2011
Executive Directors						
Mr. Clement K.M. Kwok	4,961	5,898	816	197	11,872	12,509
Mr. Neil J. Galloway	4,193	2,735	675	209	7,812	7,385
Mr. Peter C. Borer	3,599	2,685	573	131	6,988	7,137
	12,753	11,318	2,064	537	26,672	27,031

* In line with industry practice, the Group operates a scheme which encourages Directors and senior management to use the facilities of the Group to promote its business. For this purpose, discount cards are issued to the Directors. The remuneration disclosed does not include the amount of discounts offered to the Directors and senior management.

Senior Management – Remuneration

Remuneration for senior management (GMC members other than Executive Directors*) disclosed pursuant to the Listing Rules falls within the following bands:

	2012 Number	2011 Number
HK$3,000,001 – HK$4,000,000	2	3
HK$4,000,001 – HK$5,000,000	3	2

* The GMC, the Company's management and operations' decision-making authority, comprises the three Executive Directors and five (2011: five) senior management who represent the various key functions and operations of the Company.

Individuals with Highest Emoluments

The five highest paid individuals in the Group included three Executive Directors, one member of senior management and one other. The emoluments of the two (2011: two) individuals with highest emoluments are within the following bands:

	2012 Number	2011 Number
HK$4,000,001 – HK$4,500,000	1	–
HK$4,500,001 – HK$5,000,000	1	2

The aggregate of the emoluments in respect of the remaining two (2011: two) individuals is as follows:

HK$'000	2012	2011
Basic compensation	6,067	5,256
Bonuses and incentives	1,051	444
Retirement benefits	566	499
Other benefits	1,507	3,480
	9,191	9,679

The Remuneration Committee remains committed to careful oversight of remuneration policies of the Company and to continued transparent disclosure on these matters.

On behalf of the Remuneration Committee

Patrick B. Paul
Chairman of the Remuneration Committee