

# CORPORATE GOVERNANCE

## SOUND GOVERNING FRAMEWORK

### MAINTAINING EXCELLENT STANDARDS OF CORPORATE GOVERNANCE

#### Enhanced corporate governance

The Group operates the largest franchised public bus fleet in Hong Kong with about three million passenger trips daily. Apart from conducting our businesses in the interest of our shareholders, we are also subject to public scrutiny and are responsible to the society as a whole. In this respect, we strive to maintain the highest standards of corporate governance which requires a full range of sound policies, procedures and rules and a culture of integrity on the part of each staff member and Board member.

Over the years, the Group has emphasised the maintenance and enhancement of its top quality of corporate governance by:

- ensuring that the Group's corporate decision-making process, internal audit and controls, disclosure of information and communication with shareholders are conducted in accordance with sound management practices and in full compliance with regulatory standards;
- creating a culture in which all members of our staff and our Board of Directors know the importance of their role in making the Group a success and are aware of how critical their commitment to integrity is to the whole organisation; and
- adopting internationally recognised quality standards through ISO certification since 1999 to cultivate a strong sense of quality management in every aspect of our day-to-day operations, thereby enhancing the performance and value of the Group as a whole.

#### Board of Directors

The Company's Board of Directors, whose profiles are presented on pages 74 to 79 of this Annual Report, comprises 17 Directors, four of whom are Independent Non-executive Directors. Board meetings are normally held monthly to discuss and decide on major corporate, strategic and operational issues as well as evaluate major investment opportunities. Apart from the Independent Non-executive Directors, eight Directors of the Board are not involved in the day-to-day management of the Group and therefore are able to analyse management issues impartially during the decision-making process.

The Board is responsible for steering the Group and endeavours to enhance the value of the Company's shares. Each Director has his or her own role to play and is well aware of his or her duty to act in the best interest of the Group in good faith. Besides being accountable to the shareholders, the Directors also manage and monitor the relationship between the Group and its customers, its creditors, the community and the HKSAR Government.

## **AUGMENTED VALUES TO SHAREHOLDERS**

The respective Boards of Directors of KMB and LWB, which are wholly owned subsidiaries of the Company, comprise a total of 19 Directors including the Company's 17 Directors and two Directors nominated by the HKSAR Government. Currently, these two Directors are the Commissioner for Transport and the Deputy Secretary for the Environment, Transport and Works.

### **Board Committees**

The Company's Board has three committees, namely, the Executive Committee, the Audit Committee and the Remuneration Committee. These committees play a key role in overseeing various aspects of the Company.

#### **Executive Committee**

The Executive Committee consists of five Directors, including the Managing Director. It meets monthly with senior management to review and discuss financial, operational and strategic issues in relation to the Group's current businesses and potential investment opportunities, and reports to the Board of Directors.

#### **Audit Committee**

The Group's Audit Committee comprises three Non-executive Directors, two of whom are Independent Non-executive Directors. Meetings are held as required to review with senior management the accounting principles and practices adopted by the Group, the accuracy and fairness of the financial statements, and the scope of both internal and external audit work. The committee also reviews the effectiveness of internal controls and practices. Two committee meetings were held during 2003. After each meeting, the Chairman of the committee submitted a report to the Board of Directors and gave a briefing on significant issues.

#### **Remuneration Committee**

The Group's Remuneration Committee, first established in December 2003, comprises three Non-executive Directors, two of whom are Independent Non-executive Directors. It formulates policies on remuneration of the Directors and the employees of the Company and its subsidiaries (including establishing guidelines for determining the terms and conditions of employment, remuneration and retirement benefits of individual executive directors, as well as setting appropriate criteria for awarding performance-related bonuses to employees) and reviews and makes recommendations on human resources related policies to the Board of Directors. A committee meeting was held in February 2004 to review the Group's remuneration structures including Directors' remuneration for 2003.

### **Internal audit**

The Head of Internal Audit Department, who reports directly to the Managing Director and the Audit Committee, supervises the implementation of comprehensive audits and reviews on the financial and operational procedures and practices of the Group on both a regular and an ad-hoc basis.

The Head of Internal Audit Department is also responsible for ensuring that the procedures and practices comply with the relevant requirements of ISO 9001 : 2000 and ISO 14001 : 1996. In striving to achieve the ISO standards, individual staff members become highly aware of the need for quality and integrity, thereby enhancing the total quality and performance of the Group.

### **Enhanced shareholder value**

The Group conducts its businesses based on the highest standards of corporate governance. The corporate decision-making process is carried out in a professional, open and systematic manner with the aim to inspire investor confidence in the Group's management and internal controls so as to enhance the value of the Group to our shareholders.