

# Remuneration Report

**The level of remuneration for the Directors, management and staff is determined based on the principles of performance, fairness, transparency and market competitiveness, and is applied with different remuneration elements designed to attract, retain and motivate individuals to contribute to the Group.**

Since its establishment in 2003, the Remuneration Committee has been chaired by Dr Norman Leung Nai Pang, who is an Independent Non-executive Director and also the Deputy Chairman of the Company. The other members are Dr Kung Ziang Mien, James, Dr Eric Li Ka Cheung and Dr John Chan Cho Chak. Dr Kung and Dr Li are Independent Non-executive Directors, and Dr Chan is a Non-executive Director.

The Remuneration Committee is delegated by the Board with the responsibility of ensuring that the Company applies properly structured and fair remuneration policies, which align the interests of Directors and staff with those of the Company and its other stakeholders. The principal remuneration policies adopted by the Group are set out as follows:

- No Director or member of the senior management is allowed to decide his or her own remuneration;
- Remuneration policy and practice including that relating to the Directors should be transparent; and
- Remuneration packages should represent a fair reward system for all participants and have regard to market practices and the packages offered by comparable companies for similar posts, taking

qualifications, experience and performance into consideration. Independent professional advice on human resources related matters is sought whenever required.

The Remuneration Committee has clear written terms of reference, which fully comply with the Code Provisions set out in Appendix 14 of the Listing Rules. The main duties of the Committee include:

- Formulation of remuneration policies, including the basis of remuneration;
- Establishment of guidelines to determine terms and conditions of employment, and retirement benefits for Directors and staff;
- Setting up criteria for performance-based bonuses; and
- Reviewing and making recommendations to the Board on major human resources related policies.

In 2009, the Remuneration Committee:

- Reviewed the remuneration policy for 2009;
- Reviewed the remuneration of Executive and Non-executive Directors, benchmarking it against the level

of remuneration of major listed companies in terms of workload, scale and complexity of business;

- Reviewed the annual performance-related bonuses for the employees of the Group, having regard to their achievements, against the assessment criteria and with reference to the market norms; and
- Examined employees' wage and salary increments in 2009.

## CRITERIA FOR DETERMINATION OF THE REMUNERATION OF DIRECTORS

The principles adopted by the Group are formalised for assessment of the remuneration of Directors by reference to the aforesaid remuneration policies to reflect good corporate governance practices. The principles applied have taken into account market practices and a tried and tested methodology for remunerating directors. As in previous years, Directors' fees for 2009 were determined based on the Higgs Methodology, with reference to the results of a desk-top survey conducted by the Company on the remuneration of the directors of 20 major companies listed on The Stock Exchange of Hong Kong Limited.

The fee structure for Directors in 2009, which is the same as 2008, is set out as follows:

Per annum	
<b>Board Members</b>	
Chairman	HK\$504,000*
Other Director	HK\$360,000*
<b>Audit Committee Members</b>	
Chairman	HK\$84,000
Other Member	HK\$60,000
<b>Remuneration Committee Members</b>	
Chairman	HK\$42,000
Other Member	HK\$30,000

\* These fees are in respect of 12 board meetings held for each of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited.

Except for the fees disclosed above, none of our Independent Non-executive Directors and Non-executive Directors received any pension benefits or bonuses from the Group.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2009, together with the 2008 figures, are given in note 7 to the consolidated financial statements on pages 156 and 157 of this Annual Report.

**“ The Remuneration Committee is delegated by the Board with the responsibility of ensuring that the Company applies properly structured and fair remuneration policies, which align the interests of Directors and staff with those of the Company and its other stakeholders. ”**

# Remuneration Report

## CRITERIA FOR DETERMINATION OF THE REMUNERATION OF SENIOR MANAGEMENT AND OTHER EMPLOYEES

In determining the remuneration of members of the Senior Management (whose brief biographies are set out on page 118 of this Annual Report) and other employees, reference is made to the remuneration of similar positions in local companies. This is consistent with the Group's remuneration policy of aligning remuneration packages with market practices. Subject to the performance of the Group, discretionary bonuses may also be granted to individuals on a merit basis. The levels of discretionary bonuses are subject to the review and approval of the Remuneration Committee and the Board, having regard to the Group's performance. No members of the Senior Management are members of the Remuneration Committee. The main components of remuneration for members of the Senior Management and other employees are set out below:

### Base Compensation

Base compensation, including salaries, allowances and fringe benefits (e.g. medical) is subject to annual review by the Remuneration Committee with reference to the Group's performance, market practices and individual performance. Fringe benefits are reviewed regularly taking into account industry practices.

### Discretionary Bonus

A discretionary bonus may be granted to individuals in recognition of their outstanding performance. Individuals are subject to comprehensive performance appraisal by their immediate supervisors. Only those who attain at least a satisfactory performance rating are considered for the award of an incentive bonus. In 2009, selected management staff of The Kowloon Motor Bus Company (1933) Limited ("KMB"), Long Win Bus Company Limited and Sun Bus Limited were eligible to receive discretionary bonuses. In addition, the Group operates other incentive schemes to motivate staff of its other business units.

## Staff Retirement Schemes

The Group operates two separate non-contributory defined benefit retirement schemes, the KMB Monthly Rated Employees Provident Fund Scheme (the "Monthly Scheme") and the KMB Daily Rated Employees Retirement Fund Scheme (the "Daily Scheme"). It also participates in a defined contribution retirement scheme, the SHKP MPF Employer Sponsored Scheme, which was established and registered under the Hong Kong Mandatory Provident Fund Schemes Ordinance in 2000.

### i) The Monthly Scheme

The Monthly Scheme was formally established under trust in 1978 and registered under the Occupational Retirement Schemes Ordinance (Cap. 426). It is administrated by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member's benefit is equivalent to the final monthly salary multiplied by the service period and the benefit factor applicable to the member's completed years of service. Contributions to the Monthly Scheme are made in accordance with the recommendations of independent actuary who value the retirement scheme at regular intervals. The scheme has been closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Monthly Scheme) on or after 1 December 2000.

### ii) The Daily Scheme

The Daily Scheme was formally established under trust in 1983 and registered under the Occupational Retirement Schemes Ordinance (Cap. 426). It is administrated by an independent trustee and the assets are held separately from those of the Group. The Scheme provides benefits on death or retirement or on otherwise leaving service to its daily-rated employees. Under the current scheme rules, an eligible member's benefit is equivalent to the final daily basic emolument multiplied by the number of completed years of service as a daily rated employee

and further multiplied by a benefit factor applicable to the member's completed years of service. Contributions to the Daily Scheme are made in accordance with the actuary's recommendations. The Scheme has been closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Daily Scheme) on or after 1 December 2000.

### **iii) SHKP MPF Employer Sponsored Scheme**

The Group is a participating member of the SHKP MPF Employer Sponsored Scheme ("SHKP Scheme"), which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$20,000.

The particulars and total remuneration of the five highest paid employees of the Group, together with the 2008 figures, are set out in note 8 to the consolidated financial statements on page 158 of this Annual Report.