

Remuneration Report

Established in 2003, the Remuneration Committee is chaired by Dr Norman LEUNG Nai Pang, who is an Independent Non-executive Director and also the Deputy Chairman of the Company. The other current members are Dr Eric LI Ka Cheung, an Independent Non-executive Director, and Dr John CHAN Cho Chak, 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, staff and other stakeholders in the Company. The level of remuneration is determined according to the principles of performance, fairness, transparency and market competitiveness. A variety of remuneration elements are incorporated in order to attract, retain and motivate individuals to contribute to the Group.

The principal remuneration policies adopted by the Group are summarised as follows:

- No Director or member of 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 fairly reward all participants, taking qualifications, experience and performance into consideration, while having regard to market practices and packages offered for similar posts by comparable companies. Independent professional advice on human resource related matters is sought whenever required.

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

- Formulating remuneration policies, including the basis of remuneration;
- Establishing 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 resource related policies.

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In 2010, the Remuneration Committee:

- Reviewed the remuneration policy for 2010;
- Reviewed the remuneration of Executive and Non-executive Directors, benchmarking it against the level of remuneration of major listed companies in respect of workload, scale and complexity of business;
- Reviewed the annual performance-related bonuses for Group employees, with reference to their achievements, measured against the assessment criteria and taking into consideration market norms; and
- Examined employees' wage and salary increments in 2010.

CRITERIA FOR DETERMINATION OF THE REMUNERATION OF DIRECTORS

In line with good corporate governance practices, the remuneration of Directors is assessed by the Group based on formalised principles, which take into account both market practices and a tried and tested methodology. Consistent with previous years, Directors' fees for 2010 were determined based on the Higgs Methodology and with reference to the results of a desk-top survey conducted by the Company on the remuneration of the directors of 19 major companies listed on The Stock Exchange of Hong Kong Limited.

The fee structure for Directors in 2010, which were approved by general meetings of the Company, is set out as follows:

	Fee per annum HK\$
Board Members	
Chairman	504,000*
Other Director	360,000*
Audit Committee Members	
Chairman	84,000
Other Member	60,000
Remuneration Committee Members	
Chairman	42,000
Other Member	30,000
Standing Committee Members	
Chairman	336,000*
Other Member (except for Executive Directors)	240,000*

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

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The remuneration of Directors is assessed by the Group based on formalised principles, which take into accounts both market practices and a tried and tested methodology. In determining the remuneration of the senior management team and other employees, the Group refers to the remuneration for similar positions in local companies.

Besides the fees disclosed above, none of our Independent Non-executive Directors or 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 2010, together with 2009 comparisons, are given in note 7 to the consolidated financial statements on pages 158 and 159 of this Annual Report.

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

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

Base Compensation

Each year, the Remuneration Committee reviews base compensation, including salaries, allowances and fringe benefits, with reference to the Group's performance, market practices and individual performance.



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 obtain at least a satisfactory performance rating are considered for the award of an incentive bonus. In 2010, selected management staff of the Group were eligible to receive discretionary bonuses.

Staff Retirement Schemes

The Group operates two 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 and registered under the Occupational Retirement Schemes Ordinance (Cap. 426) in 1978. It is administered 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 actuaries who value the retirement scheme at regular intervals. The scheme is 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 and registered under the Occupational Retirement Schemes Ordinance (Cap. 426) in 1983. It is administered 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 actuaries' recommendations. The Scheme is 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.