

## Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices. This Report describes how the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules.

As at 31 December 2009, the Company has *fully* complied with the Code provisions.

During the year ended 31 December 2009, the Company has complied with the Code provisions except as described below. Regarding the Code provision A.4.1 which requires non-executive directors to be appointed for a specific term subject to re-election, the Company already reported in the 2008 Annual Report that as there were nine Directors (i.e. excluding those appointed pursuant to Section 8 of the MTR Ordinance) subject to retirement by rotation and one-third of them should retire at each annual general meeting of the Company (subject to re-election by the shareholders) in accordance with Articles 87 and 88 of the Company's Articles of Association, each of these Directors was effectively appointed for a term of approximately three years.

In 2009 and to further enhance good corporate governance practices, in the light of Code provision A.4.1, the Company entered into a service contract with each of the non-executive Directors (including Dr. Raymond Ch'ien Kuo-fung (non-executive Chairman) and Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury of the Government)) (save for those appointed pursuant to Section 8 mentioned above) specifying the terms of his/her continuous appointment as a non-executive Director and a Member of the relevant Board Committees, for a period not exceeding three years.

## The Board of Directors

The overall management of the Company's business is vested in the Board. Pursuant to the Articles of Association and the Protocol adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Directorate, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders. These include financial statements, dividend policy, significant changes in accounting policy, annual operating budget, certain material contracts, strategies for future growth, major financing arrangements and major investments, risk management strategies, treasury policies and fare structures.

The Board comprises eleven Members, consisting of one executive Director (the Chief Executive Officer) and ten non-executive Directors, of whom six are independent non-

executive Directors. In this regard, the Company *well exceeds* the requirement of the Listing Rules which requires every board of directors of a listed issuer to have at least three independent non-executive directors.

Dr. Raymond Ch'ien Kuo-fung, a Member of the Board since 1998, was re-appointed by the Government in November 2009 as the non-executive Chairman of the Company with effect from December 2009 until December 2012. Dr. Ch'ien was first appointed as the non-executive Chairman of the Company with effect from 21 July 2003 for a term of three years, which was renewed in 2006 for a further term up to 31 July 2007. In July 2007, Dr. Ch'ien was re-appointed as the non-executive Chairman with effect from 1 August 2007 for a term up to 31 December 2007 or the day to be appointed by the Secretary for Transport and Housing ("S for T&H") by notice published in the Gazette under the Rail Merger Ordinance, whichever was the earlier. The Rail Merger Ordinance relates to the Rail Merger between the Company and KCRC. On 8 August 2007, Dr. Ch'ien was re-appointed by the Government as the non-executive Chairman for a term of 24 months with effect from the Rail Merger, which took effect from 2 December 2007.

Mr. Chow Chung-kong, a Member of the Board and the Chief Executive Officer since 2003, was re-appointed as the Chief Executive Officer of the Company with effect from 1 December 2009 to 31 December 2011. Mr. Chow was first appointed as the Chief Executive Officer of the Company with effect from 1 December 2003 for a term of three years. He was also appointed as a Member of the Board on the same date. His contract as the Chief Executive Officer was renewed for a further term of three years with effect from 1 December 2006. On 8 August 2007, Mr. Chow was selected by the Government as the Chief Executive Officer after the Rail Merger.

Two of the non-executive Directors (being the office of the S for T&H and the office of the Commissioner for Transport ("C for T")) are appointed by the Chief Executive of the HKSAR under Section 8 of the MTR Ordinance. During the year, Ms. Eva Cheng held the post of the S for T&H, and Mr. Alan Wong Chi-kong who was the C for T, was succeeded by Mr. Joseph Lai Yee-tak with effect from 17 August 2009. Another non-executive Director, Professor Chan Ka-keung, Ceajer, is the Secretary for Financial Services and the Treasury of the Government. The Government through the FSI, holds approximately 76.8% of the issued share capital of the Company.

At the 2009 Annual General Meeting on 4 June 2009 (the "2009 AGM"), Dr. Raymond Ch'ien Kuo-fung and Mr. T. Brian Stevenson retired from office by rotation pursuant to Articles 87 and 88 of the Articles of Association of the Company, and were re-elected as Members of the Board.

With effect from the conclusion of the 2009 AGM, Professor Cheung Yau-kai also retired by rotation pursuant to Articles 87 and 88, and due to personal commitments, he did not offer himself for re-election.

Mr. Vincent Cheng Hoi-chuen, a career banker with extensive international business experience particularly in Asia (Mr. Cheng's biography is set out on page 103), has been appointed as an independent non-executive Director of the Company with effect from 10 July 2009. Also, with effect from the same date, Mr. Cheng has been appointed as a Member of both the Remuneration Committee and the Corporate Responsibility Committee of the Board.

Coming from diverse business and professional backgrounds, the non-executive Directors actively bring their valuable experience to the Board for promoting the best interests of the Company and its shareholders. On the other hand, the independent non-executive Directors contribute to ensuring that the interests of all shareholders of the Company are taken into account by the Board and that relevant issues are subjected to objective and dispassionate consideration by the Board. During the year, the Company has received confirmation from each independent non-executive Director about his/her independence under the Listing Rules, and continues to consider each of them to be independent.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Company. They are requested to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity to the Company twice a year. At the January 2009 Board Meeting, Directors had been advised of the increased level of continuous disclosure of information about and by them, together with other matters relating to Directors, in the light of the amendments to the Listing Rules which came into effect on 1 January 2009.

Biographies of the Members of the Board are set out on pages 102 to 105. None of the Members of the Board and the Executive Directorate has any relationship (including financial, business, family or other material or relevant relationships) between each other, although the office of the S for T&H (Ms. Eva Cheng) and the office of the C for T (Mr. Alan Wong Chi-kong up to and including 16 August 2009 and Mr. Joseph Lai Yee-tak with effect from 17 August 2009) were both appointed by the Chief Executive of the HKSAR, and Professor Chan Ka-keung, Ceajer is the Secretary for Financial Services and the Treasury of the Government, and Ms. Christine Fang Meng-sang sits on various government advisory committees.

As permitted under its Articles of Association, the Company has arranged Directors' and Officers' Liability Insurance for which Members of the Board and officers of the Company do not have to bear any excess.

Headed by the Chief Executive Officer, the Executive Directorate comprises six other Members. Biographies of the Members of the Executive Directorate are set out on pages 105 to 107.

### **Chairman and Chief Executive Officer**

The posts of Chairman and Chief Executive Officer are distinct and separate (please refer to the respective appointment of Dr. Raymond Ch'ien Kuo-fung as the non-executive Chairman of the Company, and Mr. Chow Chung-kong as the Chief Executive Officer of the Company and a Member of the Board on page 86). The non-executive Chairman is responsible for chairing and managing the operations of the Board, as well as monitoring the performance of the Chief Executive Officer and Members of the Executive Directorate. Apart from ensuring that adequate information about the Company's business is provided to the Board on a timely basis, the Chairman also ensures that the non-executive Directors make an effective contribution at Board Meetings. As head of the Executive Directorate and chairman of the Executive Committee (which comprises all other Members of the Executive Directorate, General Manager – Corporate Relations, and General Manager – Marketing & Station Commercial), the Chief Executive Officer is responsible to the Board for managing the business of the Company. Biographies of the Members of the Executive Committee are set out on page 107.

### **Board Proceedings**

The Board meets in person regularly, and all Members of the Board have full and timely access to relevant information and may take independent professional advice at the Company's expense, if necessary, in accordance with the approved procedures. The draft agenda for regular Board Meetings is prepared by the Legal Director & Secretary and approved by the Chairman of the Company. Members of the Board are advised to inform the Chairman or the Legal Director & Secretary not less than one week before the relevant Board Meeting if they wish to include a matter in the agenda of the Meeting. The Board Meeting dates for the following year are usually fixed by the Legal Director & Secretary and agreed by the Chairman some time in the third quarter of each year.

At each regular Board Meeting, Members of the Executive Directorate together with senior managers report to the Board on their respective areas of business, including the operations, progress of projects, property development, financial performance, corporate governance, human resources and outlook. The Chief Executive Officer also submits his Executive Summary, which focuses on the overall strategies and principal issues of the Company, to the Board. These reports, together with the discussions at Board Meetings, provide information to enable

all Members of the Board to make informed decisions for the benefit of the Company. The agenda together with Board papers are sent in full at least three days before the intended date of the Board Meeting.

All Members of the Board have access to the advice and services of the Legal Director & Secretary, who is responsible for ensuring that the correct Board procedures are followed and advises the Board on all corporate governance matters. The Members of the Board also have full access to all Members of the Executive Directorate as and when they consider necessary.

Unless specifically permitted by the Articles of Association, a Director cannot cast a vote on any contract, transaction, arrangement or any other kind of proposal in which he has an interest and which he knows is material. For this purpose, interests of a person who is connected with a Director (including any of his associates) are treated as the interests of the Director himself. Interests purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. A Director may not be included in the quorum for such part of a meeting that relates to a resolution he is not allowed to vote on but he shall be included in the quorum for all other parts of that Meeting. This reduces potential conflicts which might otherwise arise between the Company's business and an individual Director's other interests or appointments.

Matters to be decided at Board Meetings are decided by a majority of votes from Directors allowed to vote.

### **Board Meetings**

The Board held seven Meetings in 2009. In this regard, the Company *exceeds* the requirement of the Code which requires every listed issuer to hold Board Meetings at least four times a year. When matters which might result in conflicts of interest between the Company and Government who is a substantial shareholder of the Company, were discussed at Board Meetings, the Government-nominated Members of the Board, i.e. the office of the S for T&H (Ms. Eva Cheng), Professor Chan Ka-keung, Ceajer (the Secretary for Financial Services and the Treasury), and the office of the C for T (Mr. Alan Wong Chi-kong up to and including 16 August 2009 and Mr. Joseph Lai Yee-tak with effect from 17

August 2009) (or their respective alternates) did not attend the relevant parts of the Board Meetings.

During 2009 and in addition to the regular reports on the business performance, examples of other key matters discussed at the Board Meetings included train service, West Island Line, Express Rail Link and Shenzhen Line 4 projects, Melbourne Metropolitan Train Franchise, property development, corporate governance, procurement, pay review and staff relations.

### **Private/Other Board Meetings**

In addition to the above regular Board Meetings, the Chairman held three private/other Board Meetings during the year.

A Meeting on 12 May 2009 was with *all* the non-executive Directors without the presence of the Chief Executive Officer and other Members of Executive Directorate. Matters discussed included contract renewal of the Chief Executive Officer. The non-executive Directors endorsed the Remuneration Committee's recommendations as to the salient features of the new employment contract for the Chief Executive Officer. General remuneration issues as well as variable incentive scheme were also discussed and it was decided that the Human Resources Director would be invited to provide a briefing on the variable incentive scheme to the non-executive Directors before the following Board Meeting.

Accordingly and before the commencement of the Board Meeting on 10 July 2009, the Human Resources Director made a presentation on the variable incentive scheme to the majority of the non-executive Directors without the presence of the Chief Executive Officer and other Members of Executive Directorate.

A Meeting was held on 19 October 2009 with *all* the non-executive Directors and the Chief Executive Officer, without the presence of other Members of Executive Directorate to discuss the development and succession planning of senior executives of the Company.

Another Meeting with *all* the non-executive Directors without the presence of the Chief Executive Officer and other Members of Executive Directorate, has been scheduled to be held by the Chairman in April 2010.

The attendance record of each Member of the Board (and relevant Members of Executive Directorate who are Members of Corporate Responsibility Committee) is set out below:

### ■ Meetings Held in 2009

Directors	Board	Private/ Other Board	Audit Committee	Remuneration Committee (Note 9)	Nominations Committee	Corporate Responsibility Committee	Annual General Meeting
Number of Meetings	7	3	4	4	1	2	1
<b>Non-executive Directors</b>							
Dr. Raymond Ch'ien Kuo-fung ( <i>Chairman</i> )	7/7	3/3			1/1	2/2	1/1
Commissioner for Transport (Alan Wong Chi-kong (up to and including 16 August 2009))	5/5 (Note 3)	2/2	3/3				0/1
(Joseph Lai Yee-tak (with effect from 17 August 2009))	2/2	1/1	1/1				
Secretary for Transport and Housing (Eva Cheng)	7/7 (Note 4)	3/3 (Note 7)			1/1	2/2	0/1
Professor Chan Ka-keung, Ceajer	6/7 (Note 5)	2/3 (Note 8)		4/4 (Note 5)	1/1		1/1 (Note 5)
<b>Independent Non-executive Directors</b>							
Vincent Cheng Hoi-chuen (Note 1)	3/4	1/1		0/1		1/1	
Professor Cheung Yau-kai (Note 2)	3/3	1/1	2/2				0/1
Christine Fang Meng-sang	6/7	3/3			1/1	2/2	1/1
Edward Ho Sing-tin	7/7	3/3		4/4	1/1		1/1
T. Brian Stevenson	7/7	3/3	4/4	4/4			1/1
Ng Leung-sing	6/7	3/3	3/4		1/1		1/1
Abraham Shek Lai-him	6/7 (Note 6)	2/3			1/1	2/2	1/1
<b>Executive Directors</b>							
Chow Chung-kong ( <i>Chief Executive Officer</i> )	7/7	1/1					1/1
Leonard Bryan Turk ( <i>Legal Director &amp; Secretary</i> )						2/2	
Thomas Ho Hang-kwong ( <i>Property Director</i> )						2/2	

#### Notes

- 1 Mr. Vincent Cheng Hoi-chuen was appointed as independent non-executive Director on 10 July 2009.
- 2 Professor Cheung Yau-kai ceased to be independent non-executive Director from the conclusion of the 2009 AGM on 4 June 2009.
- 3 2 Board Meetings were attended by the alternate director of Mr. Alan Wong Chi-kong.
- 4 Each of the 2 Board Meetings was attended by an alternate director of Ms. Eva Cheng.
- 5 5 Board Meetings, 1 Remuneration Committee Meeting and the Annual General Meeting were attended by an alternate director of Professor Chan Ka-keung, Ceajer.
- 6 1 Board Meeting attended by Mr. Abraham Shek Lai-him was by teleconference.
- 7 1 out of the 3 Private/Other Board Meetings was attended by an alternate director of Ms. Eva Cheng.
- 8 1 out of the 2 Private/Other Board Meetings was attended by an alternate director of Professor Chan Ka-keung, Ceajer.
- 9 1 Remuneration Committee Meeting was conducted by teleconference.

The minutes of Board Meetings are prepared by Legal Manager – Company Secretarial, the Secretary of the Meetings with details of the matters considered by the Board and decisions reached, including any concerns raised by the Members of the Board or dissenting views expressed. The draft minutes are circulated to all Members of the Board for their comment within a reasonable time after the Meeting. The approved procedure is that the Board formally adopts the draft minutes at the subsequent Meeting. If Members of the Board have any comment on the draft minutes, they will discuss it at that Meeting, followed by a report on what has been agreed in the minutes of that Meeting. Minutes of Board Meetings are kept by the Legal Director & Secretary and open for inspection by all Members of the Board at the Company's registered office.

### **Material Interests and Voting**

All Directors are required to comply with their common law duty to act in the best interests of the Company and have particular regard to the interest of the shareholders as a whole.

Amongst others, all Directors are required to declare their interests, if any, in any transaction, arrangement or other proposal to be considered by the Board at Board Meetings and to abstain from voting on any related resolutions.

### **Government's Representatives on the Board**

The Government is a substantial shareholder of the Company and the Chief Executive of the HKSAR may, pursuant to Section 8 of the MTR Ordinance, appoint up to three persons as "additional directors". Out of a total of eleven Board Members, three are Government-nominated representatives (being the office of the S for T&H, the office of the C for T and Professor Chan Ka-keung, Ceajer) and six of them (being the *majority*) are independent non-executive Directors.

Each Director appointed by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance or by the Government through its shareholding must, like any other Director, act in the best interests of the Company.

On appointment to the Board and same as any other Director, each Government-nominated Director is given a comprehensive, formal and tailored induction programme highlighting, among other things, his/her duties under general law, statutes and the Listing Rules (including the fiduciary duty to act in good faith in the best interests of the Company as a whole, considering the interests of all its shareholders, majority or minority, present and future).

If a conflict arises between the interests of the Company and those of the Government, a Director appointed by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance or by the Government through its shareholding, would not be included in the quorum of part of a Meeting that

relates to the transaction, arrangement or other proposal being considered by the Board and would not be allowed to vote on the related resolution.

Please refer to pages 87 and 88 regarding the Board proceedings in 2009.

There are a number of contractual arrangements that have been entered into between the Company and the Government (and its related entities), some of which are continuing in nature. As the Government is a substantial shareholder of the Company, such contractual arrangements are connected transactions (and in some cases continuing connected transactions) for the purposes of the Listing Rules. The section headed "Connected Transactions" on pages 120 to 132 explains how, in accordance with the Listing Rules, these transactions are treated.

### **Appointment, Re-election and Removal of Members of the Board**

A person may be appointed as a Member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation by the Nominations Committee of the Company. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment. A Director who retires in this way is eligible for election at that annual general meeting, but is not taken into account when deciding which and how many Directors should retire by rotation. In either case, the Directors so elected and appointed are eligible for re-election and re-appointment.

At each annual general meeting of the Company, one third of the Directors (or, if the number of Directors is not divisible by three, such number as is nearest to and less than one third) must retire as Directors by rotation.

The Chief Executive of the HKSAR may, pursuant to Section 8 of the MTR Ordinance, appoint up to three persons as "additional directors". Directors appointed in this way may not be removed from office except by the Chief Executive of the HKSAR. These Directors are not subject to any requirement to retire by rotation nor will they be counted in the calculation of the number of Directors who must retire by rotation. In all other respects, the "additional directors" are treated for all purposes in the same way as other Directors and are, therefore, subject to the normal common law duties of directors, including to act in the best interests of the Company. The Chief Executive of the HKSAR has appointed the office of the S for T&H and the office of the C for T as "additional directors".

As there are currently nine Directors subject to the requirement to retire by rotation, and one-third of them shall retire at each annual general meeting of the Company (subject to re-election by the shareholders), each of these Directors is effectively appointed for a term of approximately three years.

In 2009 and to further enhance good corporate governance practices, the Company entered into a service contract with each of the non-executive Directors (including Dr. Raymond Ch'ien Kuo-fung (non-executive Chairman) and Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury of the Government)) (save for the "additional directors") specifying the terms of his/her continuous appointment as a non-executive Director and a Member of the relevant Board Committees, for a period not exceeding three years.

On appointment to the Board, each of the Directors (including alternate directors) is given a comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company, as well as the general and specific duties of the Directors under general law (common law and legislation) and the Listing Rules. All Directors (including alternate directors) are also given a Directors' Manual on their appointment which sets out, amongst other things, the directors' duties and the Terms of Reference of the Board Committees. The Directors' Manual is updated from time to time to reflect developments in those areas.

To assist their continuous professional development, the Legal Director & Secretary recommends Directors to attend relevant seminars and courses. The costs for such training are borne by the Company.

### Accountability

The Members of the Board are responsible for preparing the accounts of the Company and of the Group. The accounts are prepared on a going concern basis and give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009, and of the Group's profit and cash flow for the year then ended. In preparing the accounts for the year ended 31 December 2009, the Members of the Board have selected appropriate accounting policies and, apart from those new and amended accounting policies as disclosed in the notes to the accounts for the year ended 31 December 2009, have applied them consistently with previous financial periods. Judgments and estimates have been made that are prudent and reasonable. The reporting responsibilities of the External Auditor are set out on page 134.

In support of the above, the accounts presented to the Board have been reviewed by the Members of the Executive Directorate. For both the annual and interim reports and accounts, the Finance Division is responsible for clearing them with the External Auditor and then the Audit Committee. In addition, all new and amended accounting standards and requirements, as well as changes in accounting policies adopted by the Company have been discussed and approved at the Audit Committee before adoption by the Company.

### Board Committees

As an integral part of good corporate governance, the Board has established a total of *four* Board Committees to oversee particular aspects of the Company's affairs. Each of these Committees is governed by its respective Terms of Reference which are available on the Company's website: [www.mtr.com.hk](http://www.mtr.com.hk).

The Audit Committee, Remuneration Committee and Nominations Committee comprise *only* non-executive Directors (with the *majority* being independent non-executive Directors). The Corporate Responsibility Committee has seven Members with the *majority* being non-executive Directors. There are two Members of the Executive Directorate on that Board Committee to facilitate discussion and implementation of policies.

All Committees are provided with sufficient resources to discharge their duties.

#### Audit Committee

The Audit Committee consists of four non-executive Directors, three of whom are independent non-executive Directors. The Members of the Committee are Mr. T. Brian Stevenson (chairman), Mr. Ng Leung-sing, the C for T (Mr. Joseph Lai Yee-tak succeeded Mr. Alan Wong Chi-kong with effect from 17 August 2009), and Mr. Abraham Shek Lai-him (effective from 1 February 2010). Professor Cheung Yau-kai served the Committee up to the conclusion of the 2009 AGM (please refer to page 87). Mr. Stevenson, Mr. Ng and Mr. Shek are also independent non-executive Directors. None of the Committee Members is a partner or former partner of KPMG, the Company's External Auditor. The Finance & Business Development Director, the Head of Internal Audit and representatives of the External Auditor of the Company are expected to attend Meetings of the Committee. At the discretion of the Committee, others may also be invited to attend Meetings. The Committee meets regularly, and the External Auditor or the Finance & Business Development Director may request a Meeting if they consider it necessary.

The Terms of Reference of the Audit Committee were revised and approved by the Board in January 2009 in the light of the amendments to the Listing Rules which became effective on 1 January 2009, to reflect the new oversight role of the Audit Committee in the review of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget, as well as the removal of the requirement for a qualified accountant.

Further, the Terms of Reference were revised and approved by the Board in March 2009 to permit the Secretary of the Committee shall either be the Company Secretary of the Company or his designate.

The updated Terms of Reference are available on the Company's website.

**Duties of Audit Committee**

Under its Terms of Reference, the duties of the Audit Committee include financial and efficiency aspects as described below. Amongst other things, the Committee is required to oversee the relationship with the Company's External Auditor, to review the financial information of the Company, and to oversee the Company's financial reporting system and internal control procedures. The Committee discusses with the External Auditor the nature and scope of audit and reporting obligations before the audit commences. Apart from giving pre-approval of all audit services, the Committee also pre-approves any non-audit services for complying with relevant legal requirements. The Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the External Auditor, and approving the remuneration and terms of such engagement.

With respect to financial information of the Company, the Committee monitors the integrity of financial statements, annual and interim reports and accounts, together with the preliminary announcement of results and other announcements regarding the Company's financial information to be made public. In dealing with the financial information, the Committee liaises with the Board and the Executive Directorate (including the Finance & Business Development Director), and the chairman of the Committee further meets on an ad hoc basis with the Head of Internal Audit, representatives of the External Auditor, and Management. Apart from considering issues arising from the audit, the Committee discusses any matters that auditor(s) may wish to raise either privately or together with executive Director(s) and any other person.

The Committee is required to review, at least annually, the effectiveness of the Company's financial controls, internal control and risk management systems and to report to the Board that such a review has been carried out. These controls and systems allow the Board to monitor the Company's overall financial position and to protect its assets. In the light of the changes of the Terms of Reference pursuant to the Listing Rules amendments as mentioned above, the Committee's review for 2009 had made specific reference to its role in overseeing the Management's review of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. (Please refer to the section headed "Internal Controls" below.) The Committee reviews and approves the annual Internal Audit Plan which includes audits on the efficiency of chosen activities or operations of the Company. In addition, the Committee reviews periodic reports from the Head of Internal Audit and the follow-up of major action plans recommended, and puts forward recommendations to the Board where appropriate.

The chairman of the Committee summarises activities of the Committee and highlights issues arising therefrom by a report to the Board after each Audit Committee Meeting.

The minutes of the Audit Committee Meetings are prepared by the secretary of the meeting with details of the matters considered by the Committee Members and decisions reached, including any concerns raised by the Committee Members and dissenting views expressed. The draft minutes are circulated to the Committee Members for comments and the final version of the minutes is sent to the Committee Members for their records within a reasonable time after the Meeting and the minutes are open for inspection by the Committee Members at the Company's registered office. A framework of the agenda items for the Meetings for the following year is usually set out for the Committee Members' reference and comment in the last quarter of each year. The chairman of the Committee makes the final determination on the agenda for the regular Committee Meetings.

**Work Performed by Audit Committee**

In 2009, the Audit Committee held four Meetings and, based on the Agenda Framework pre-agreed with the chairman of the Committee, a total of four Meetings had been scheduled for 2010. The attendance record of each Audit Committee Member is set out on page 89 under the section "Board Proceedings". The major work performed by the Committee in 2009 included:

- Review of and recommendation for the Board's approval the draft 2008 Annual Report and Accounts and 2009 Interim Report and Accounts;
- Approval of the 2010 Internal Audit Plan;
- Pre-approval of the audit and non-audit services provided by KPMG, the External Auditor, for 2009;
- Approval of the remuneration and terms of engagement of KPMG for the 2009 audit;
- Preview of 2009 annual accounting issues;
- Review of the effectiveness of the Company's internal control systems;
- Review of the effectiveness of the Internal Audit Department;
- Review of a report on staff complaints;
- Review of enterprise risk management;
- Review of the outstanding litigation and compliance with statutes and regulations relevant to the business of the Company;
- Review of the revised Terms of Reference in the light of the amendments to the Listing Rules effective from 1 January 2009, and to permit the Secretary of the Committee to be either the Company Secretary of the Company or his designate (Please refer to page 91); and
- Review of the Company's processes and structures put in place to control and monitor its exposures in the Mainland of China and overseas investments.

Representatives of the External Auditor, the Finance & Business Development Director and the Head of Internal Audit attended all those Meetings for reporting and answering questions about their work. Further to that and by invitation, the Operations Director, the Property Director and the Legal Director & Secretary (or their representatives) had respectively provided an overview of the Company's railway operations, property business as well as outstanding litigation, compliance and enterprise risk management matters to the Members at the Meetings. The Finance & Business Development Director also provided an overview of the business development and expansion overseas.

### Remuneration Committee

The Remuneration Committee consists of four non-executive Directors, three of whom are independent non-executive Directors. The Members of the Remuneration Committee are Mr. Edward Ho Sing-tin (chairman), Mr. T. Brian Stevenson, Mr. Vincent Cheng Hoi-chuen (effective from 10 July 2009) and Professor Chan Ka-keung, Ceajer. Mr. Ho, Mr. Stevenson and Mr. Cheng are independent non-executive Directors.

In the light of the appointment of Mr. Cheng as a Member of the Remuneration Committee, the Terms of Reference of the Committee were revised and approved by the Board in July 2009, such that the Committee shall consist of *at least* three Members with a *majority* of them being independent non-executive Directors, and that the quorum necessary for the transaction of the business of the Committee shall be *three* non-executive Directors of the Committee, provided that a *majority* of them shall be independent non-executive Directors. The updated Terms of Reference are available on the Company's website.

### Duties of Remuneration Committee

The principal responsibilities of the Remuneration Committee include formulating a remuneration policy and practices that facilitate the employment of top quality personnel, recommending to the Board the remuneration of the Members of the Board who are non-executive Directors, determining the remuneration packages of the Members of the Board who are executive Directors and other Members of the Executive Directorate, and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives.

### Work Performed by Remuneration Committee

In 2009, the Remuneration Committee held four Meetings. The attendance record of each Committee Member is set out on page 89 under the section "Board Proceedings". In accordance with its Terms of Reference, the Committee performed the following work during the year:

- Approved the 2008 Remuneration Report as incorporated in the 2008 Annual Report;
- Reviewed and approved payouts under the Company's performance-based variable incentive scheme for the 2008 performance period;

- Reviewed and approved the remuneration package for the Chief Executive Officer under his renewed contract;
- Conducted an annual review of the remuneration packages for the Chief Executive Officer and other Members of the Executive Directorate, which took effect in July 2009;
- Reviewed the revised Terms of Reference of the Remuneration Committee following the appointment of Mr. Cheng as a Member of the Committee;
- Reviewed and approved share options awards for Members of the Executive Directorate and other eligible employees; and
- Reviewed and approved the remuneration package for Mr. Chew Tai Chong, the new Projects Director.

The Remuneration Committee also met on 4 March 2010 to approve the 2009 Remuneration Report, which is set out on pages 99 to 101 and includes a description of the remuneration policy of the Company.

### Nominations Committee

The Nominations Committee consists of seven non-executive Directors, four of whom are independent non-executive Directors. Members of the Nominations Committee are Mr. Edward Ho Sing-tin (chairman), Dr. Raymond Ch'ien Kuo-fung, Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Ng Leung-sing, Professor Chan Ka-keung, Ceajer and the S for T&H (Ms. Eva Cheng). Mr. Ho, Ms. Fang, Mr. Shek and Mr. Ng are also independent non-executive Directors.

The Terms of Reference of the Committee were revised and approved by the Board in March 2009 to permit the Secretary of the Committee shall either be the Company Secretary of the Company or his designate. Further revisions were made and approved by the Board in May and December 2009 to change the quorum necessary for the transaction of the Committee's business to *five* (instead of all) Members, provided that at least one Member shall be a non-executive Director representing the Government and that the majority of them shall be independent non-executive Directors.

### Duties of Nominations Committee

The Nominations Committee nominates and recommends to the Board candidates for filling vacancies on the Board, and the positions of Chief Executive Officer ("CEO"), Finance Director ("FD") and Chief Operating Officer ("COO") (provided that the COO position exists). For the positions of FD and COO, the Committee may consider candidates recommended by the CEO, or any other candidates (provided that the CEO shall have the right to first agree to such other candidates).

### Work Performed by Nominations Committee

In 2009, the Nominations Committee held one Meeting. Attended by all Members of the Committee at the Meeting on 22 June 2009 and after discussion, the Committee agreed to

recommend to the Board the appointment of Mr. Vincent Cheng Hoi-chuen, a career banker with extensive international business experience particularly in Asia (Mr. Cheng's biography is set out on page 103), as a Member of the Board, and as a Member of the Remuneration Committee and the Corporate Responsibility Committee respectively, all to take effect from 10 July 2009. Mr. Cheng was invited to join part of the Meeting and share views with the Members. This took place prior to the Committee reaching the recommendation decision. The appointment was approved by the Board on 10 July 2009.

Attendance record of each Committee Member is shown on page 89 under the section "Board Proceedings".

On 1 April 2009 and amongst other things, all Members approved a Written Resolution to note the following:

- the retirement of Dr. Raymond Ch'ien Kuo-fung, Professor Cheung Yau-kai and Mr. T. Brian Stevenson from the office by rotation pursuant to the Articles of Association of the Company;
- Professor Cheung would not offer himself for re-election; and
- Dr. Ch'ien and Mr. Stevenson would offer themselves for re-election, at the 2009 AGM.

In view of the practical difficulty in convening Meetings of the Committee (this was due to the then Terms of Reference of the Committee required presence of *all* (i.e. seven) Members for constituting a quorum), the Written Resolution further agreed for the Company Secretary to take steps to amend the quorum to five Members provided that at least one Member shall be a non-executive Director representing the Government and that the majority of them shall be independent non-executive Directors. The revised Terms of Reference was approved by the Board to take effect on 22 September 2009.

### **Corporate Responsibility Committee**

The Corporate Responsibility Committee consists of five non-executive Directors (three of whom are independent non-executive Directors) and two Members of the Executive Directorate. The Chairman of the Company is the chairman of the Committee. Current Members of the Committee are Dr. Raymond Ch'ien Kuo-fung (Chairman), S for T&H (Ms. Eva Cheng), Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Vincent Cheng Hoi-chuen (with effect from 10 July 2009), Mr. Leonard Bryan Turk (Legal Director & Secretary) and Mr. Thomas Ho Hang-kwong (Property Director). Ms. Fang, Mr. Shek and Mr. Cheng are independent non-executive Directors.

### **Duties of Corporate Responsibility Committee**

The duties of the Committee are to recommend a corporate responsibility policy to the Board for approval, monitor and oversee the implementation of the Company's corporate responsibility policy and initiatives, identify emerging corporate responsibility issues arising from external trends, review annual

Sustainability Report and recommend endorsement by the Board, and provide updates to the Board as required. Please also refer to the "Sustainability" section on page 84 of this Annual Report.

### **Work Performed by Corporate Responsibility Committee**

In 2009, the Corporate Responsibility Committee held two Meetings. The attendance record of each Committee Member is set out on page 89 under the section "Board Proceedings". The major work performed by the Committee in 2009 included:

- Review of and recommendation for the Board's approval the draft Corporate Responsibility Policy;
- Review of the implementation of the Company's community and staff engagement programmes;
- Review of the sustainability development and environmental management of the Company; and
- Review of and recommendation for the Board's approval the draft 2008 Sustainability Report.

### **Internal Controls**

The Board is responsible for the system of internal controls of the Company and its subsidiaries, setting appropriate policies and reviewing the effectiveness of such controls. Internal control is defined as a process effected by the Board, Management and other personnel, designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations
- effectiveness of risk management functions

Pursuant to the Protocol adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders.

Supported by the Members of the Executive Committee, the Chief Executive Officer who chairs the Executive Committee is responsible to the Board for the conduct of the business of the Company.

A number of committees have been established to assist the Executive Committee in the day-to-day management and control of the various core businesses and functions of the Company and its subsidiaries. Key committees include:

- Operations Executive Management Committee
- Operations Business Meeting
- Property Executive Management Committee
- Project Control Group
- Railway Development Steering Group

- Consultancy Services Management Committee
- European Business Executive Committee
- China Business Executive Committee
- Information Technology Executive Management Committee
- Financial Planning Committee
- Investment Committee
- Corporate Safety Management Committee
- Enterprise Risk Committee
- Code of Conduct Steering Committee
- Tender Board
- Executive Tender Panel
- Corporate Responsibility Steering Committee

The Executive Committee is responsible for implementing the Board's policies on risk and control. In fulfilling its responsibilities, the Executive Committee identifies and evaluates the risks faced by the Company for consideration by the Board, and designs, operates and monitors a suitable system of internal controls which implements the policies adopted by the Board. The Executive Committee is accountable to the Board for monitoring the system of internal controls and providing assurance to the Board that it has done so. Additionally, all employees have responsibility for internal controls within their areas of accountability.

Various risk management strategies have been established by the Board as advised by the Executive Committee to identify, assess and reduce risks, including construction, business operations, finance, treasury, safety and enterprise risks as well as to ensure appropriate insurance coverage.

### **Risk Assessment and Management**

The Company's Enterprise Risk Management framework is an essential and integral part of corporate governance to help in sustaining business success and creating value for stakeholders. It is a corporate-wide systematic risk management process which aims to assist the Executive Committee and individual business areas to manage the key risks and support the Board in discharging its corporate governance responsibilities.

More details of the framework and process are given in the section headed Risk Management on page 85.

### **Control Activities and Processes**

To ensure the efficient and effective operation of business units and functions, and safety of operating railway and construction works in railway projects, Corporate General Instructions ("CGIs"), divisional/departmental procedures and manuals, committees, working groups and quality assurance units are established to achieve, monitor and enforce internal controls and evaluate their effectiveness.

CGIs and various departmental procedures and manuals are established for preventing or detecting unauthorised expenditures/payments, safeguarding the Company's assets, ensuring the accuracy and completeness of accounting records and timely preparation of reliable financial information.

All Department Heads, including Business and Project Managers for overseas projects, are responsible for ensuring the compliance with statutes and regulations applicable to their own functional units. They are required to identify any new or updated statutes, to assess their impact on the Company's operations, and to review at least once a year that relevant statutes/regulations are complied with. Potential and actual non-compliances are also reported and followed up by Department Heads and significant ones are reported to the respective Divisional Directors and the Executive Committee. Issues relating to compliance with statutes and regulations including potential and actual non-compliances, if any, and the status of rectification and actions taken to prevent recurrence are reported annually to the Executive Committee and Audit Committee.

The Internal Audit Department plays a major role, independent of the Company's management, in assessing and monitoring the internal controls of the Company. The Head of Internal Audit reports to the Chief Executive Officer and has direct access to the Audit Committee. The Department has unrestricted access to information that allows it to review all aspects of the Company's risk management, control and governance processes. On a regular basis, it conducts audits on financial, operational and compliance controls, and effectiveness of risk management functions of all business and functional units as well as subsidiaries. Management is responsible for ensuring that control deficiencies highlighted in internal audits are rectified within a reasonable period. The Department produces an annual internal audit plan derived from risk assessment for the Audit Committee's approval. On a half-yearly basis, the Head of Internal Audit reports to the Audit Committee his audit findings and his opinion on the system of internal controls.

On behalf of the Board, the Audit Committee evaluates the effectiveness of the Company's system of internal controls, including the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations and effectiveness of risk management functions. This is achieved primarily through approving the annual internal audit plan and reviewing the findings of internal audit work, in addition to reviewing the annual and interim financial statements, and the nature, scope of work, and report of the external auditors, and consideration of the following:

- the changes in the nature and extent of significant risks since the previous review and the Company's ability to respond to changes in its business and external environment;
- the scope and quality of management's ongoing monitoring of risks and the system of internal controls, the work of the Internal Audit Department, and the assurance provided by the Executive Committee;

- the extent and frequency with which the results of monitoring are communicated, enabling the Audit Committee to build up a cumulative assessment of the state of control in the Company and the effectiveness with which risk is being managed;
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance.

The processes for assessing internal controls by the Audit Committee have included: regular interviews with Members of the Executive Committee in relation to key business operations, internal control and compliance issues, both financial and non-financial; review of significant issues arising from internal audit reports and external audit report, and private sessions with internal and external auditors. The Audit Committee has also reviewed the papers prepared by the Executive Committee and Internal Audit Department covering: 2008 Annual Report and Accounts, Preview of 2009 Annual Accounting issues, 2009 Interim Accounts, 2010 Internal Audit Plan, Internal Audit Department's Half-yearly Reports, Annual Report on Staff Complaints, Report on the Company's Internal Control System, Reporting of Outstanding Litigation and Compliance Issues, Enterprise Risk Management Report 2008 and Evaluation of Effectiveness of Internal Audit Department. The chairman of the Committee meets on an ad hoc basis with the Head of Internal Audit, representatives of the External Auditor and Management of the Company as appropriate. He summarizes activities of the Committee and highlights issues arising therefrom by a report to the Board after each Audit Committee Meeting.

The Company is committed to recruit, train and develop a team of qualified and competent accountants in order to oversee its financial reporting and other accounting-related issues. A process to capture and update relevant laws, rules and regulations applicable to the reporting and accounting function is in place. Designated officers will ensure relevant standards and ordinances including Hong Kong Financial Reporting Standards, the Listing Rules and Hong Kong Companies Ordinance under their responsibility are complied with. Resources and provisions required to deliver accounting and financial reporting function are critically reviewed during the annual budgeting exercise. Company-wide recruitment process and staff development programmes are in place to address the competency, qualifications and experience required. Adherence to the process is confirmed

on an annual basis by the designated officers to the Finance & Business Development Director who will conduct a formalized annual review and report to the Audit Committee for the review results. Confirmation of the process is also monitored by the Internal Audit Department. Based on the above, the Audit Committee considered the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate.

The Board has, through the Audit Committee, conducted the review of the effectiveness of the Company's system of internal controls for the year ended 31 December 2009, covering all material financial, operational and compliance controls, and risk management function, and concluded that adequate and effective internal controls are maintained to safeguard the shareholders' investment and the Company's assets. There were no significant control failings, weaknesses or significant areas of concern identified during the year which might affect shareholders.

#### **Continuous Disclosure Obligations regarding Price Sensitive Information**

The Company has developed a system with established policies, processes and procedures across all relevant Division(s) and Department(s) for complying with the disclosure obligations regarding price sensitive information. Further, a taskforce comprising all relevant heads of department reviewed the system in detail and thoroughly went through the checklist from the Stock Exchange to all issuers in late 2008. The recommendation that the Company has an effective system in dealing with the disclosure obligations was reported to the Executive Committee, and then to the Board of Directors in December 2008. Efforts to enhance the system in the light of the business operation and development of the Company continued in 2009.

#### **Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")**

The Company has adopted the Model Code. After having made specific enquiry, the Company confirms that, save as disclosed in the following paragraph, Members of the Board and the Executive Directorate complied throughout the year with the Model Code set out in Appendix 10 to the Listing Rules. Senior managers, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code. In addition, every employee is bound by the Code of Conduct issued by the Company, amongst other things, to keep unpublished price sensitive information in strict confidence.

As disclosed in the Company's 2008 Annual Report (page 102), and the 2009 Interim Report (page 20), an alternate director has reported in writing to the Company and the Stock Exchange that in January 2009, due to an oversight, he and his spouse disposed of an aggregate of 2,084 shares in the Company without having first notified in writing the Chairman of the Company and received a dated written acknowledgement from the Chairman in accordance with the Model Code. The report was made shortly after the dealings. He had also given the Company and the Stock Exchange a written confirmation that he did not possess any unpublished price sensitive information of the Company at the time of the dealings. With a view to ensuring compliance with the Model Code, the Company had reminded him in writing of his obligations under the Model Code.

### Business Ethics

The Company is committed to upholding a high standard of business ethics and integrity. The Company's Code of Conduct and Corporate Guidebook for All Staff are two important tools to help employees understand and follow its requirements on ethical practices. The tools are reviewed and updated every two years to ensure they remain appropriate and in compliance with legislation. With a view to enhancing compliance, the Company has a biennial certification programme which requires all employees to acknowledge their understanding of and agreement to abide by the Code. The Code is available on the Company's website: [www.mtr.com.hk](http://www.mtr.com.hk).

A similar biennial certification programme is also enforced in the Company's subsidiaries in the Mainland of China and overseas with a view to upholding the ethical culture in these subsidiaries. Briefing on the Code and the Guidebook is an integral part of local induction and orientation programmes. For other joint venture companies, guidelines on business ethics have been published for staff's observation and compliance.

### External Auditor

The Company engages KPMG as its External Auditor. In order to maintain KPMG's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit Committee, under its Terms of Reference, pre-approves all audit services to be provided by KPMG and discusses with KPMG the nature and scope of their audit and reporting obligations before the audit commences.

The Audit Committee also reviews and pre-approves the engagement of KPMG to provide any non-audit services for complying with relevant legal requirements and seeks to balance the maintenance of objectivity with value for money.

The nature of audit and non-audit services provided by KPMG and fees paid to KPMG (including any entity that is under

common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) are set out in note 8D to the accounts on page 156.

On the part of KPMG, for maintaining integrity and objectivity, KPMG implements policies and procedures to comply with professional ethics and independence policies and requirements applicable to the work KPMG performs. In addition, KPMG requires its audit partner serving the Group to rotate off the audit engagement with the Company at least once every seven years.

## Communication with Shareholders

### Annual General Meeting ("AGM")

The Company's AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. The Chairman of the Company and the chairmen of the Board Committees were present at the 2009 AGM to answer shareholders' questions. The AGM was held on 4 June at Rotunda 3 (6/F), Hongkong International Trade & Exhibition Centre, Kowloon Bay, Hong Kong.

### Chairman's Statement

The Chairman started the formal business of the AGM by reporting achievement of strong financial results in 2008. He reminded shareholders that 2008 was also the year that the Company delivered on all the promises made to the stakeholders at the time of the Rail Merger in December 2007.

The Chairman then gave an overview of the Company's business performance including the ridership, train service performance, station commercial and rail related businesses, property development, property rental and management, Ngong Ping Cable Car and associated theme village and Octopus Cards.

Regarding the new Hong Kong rail projects, the Chairman gave a brief account of the progress of planning and design for Shatin to Central Link, Express Rail Link, Kwun Tong Line Extension, South Island Line (East) and the West Island Line, as well as the planned opening of LOHAS Park Station (Tseung Kwan O Line) and Kowloon Southern Link in 2009.

For business development outside of Hong Kong, the Chairman highlighted the execution of the Concession Agreement for Shenzhen Metro Line 4 and the Operation & Maintenance Concession Agreement for Shenyang Metro Lines 1 and 2, and the construction progress of Beijing Line 4. The Company's involvement in Europe included the operation of London Overground, and the taking over of Stockholm Metro operation in 2009.

Before turning to the 2009 business, the Chairman recognised the important role of corporate governance, sustainability, corporate responsibility and community involvement, in the continued success of the Company.

Against the background of the global financial turmoil in late 2008 which had impacted Hong Kong, the Chairman reported that Rail business, station retail and property rental businesses were basically not affected, although the Airport Express patronage and other station commercial businesses were facing challenges. On property development, he expected profit booking of Phase 1 of LOHAS Park Package 2 in 2009.

Before closing, the Chairman thanked Professor Cheung who retired as an independent non-executive Director after the AGM for his significant contribution and long service to the Company.

#### **Resolutions Passed at the 2009 AGM**

After the Chairman's Statement, separate resolutions were proposed for each substantially separate issue at that AGM. Before the resolutions were considered, the Chairman exercised his right as the Chairman of the Meeting under Article 67 of the Company's Articles of Association to call a poll on all resolutions. Being the first listed company in Hong Kong to conduct electronic poll voting since 2007, the Company conducted electronic poll voting at the AGM.

A total of nine resolutions were passed at the 2009 AGM (with resolution no. 3 comprising two separate resolutions), each by over 97% of the votes cast at the Meeting. Out of the nine resolutions, there were eight ordinary resolutions and one special resolution (i.e. resolution no. 8). The full text of the resolutions is set out in the AGM Circular (which comprised Notice of the AGM) to shareholders dated 27 April 2009. For the benefit of those shareholders who did not attend the 2009 AGM, below is a succinct summary of the resolutions passed:

- (1) Adoption of the audited Statement of Accounts and the Reports of the Directors and the Auditors of the Company for the year ended 31 December 2008;
- (2) Declaration of a final dividend of HK\$0.34 per share for the year ended 31 December 2008;
- (3) (a) Re-election of Dr. Raymond Ch'ien Kuo-fung as a Member of the Board of Directors of the Company; and  
(b) Re-election of Mr. T. Brian Stevenson as a Member of the Board of Directors of the Company;
- (4) Re-appointment of KPMG as Auditors of the Company and authorisation of the Board of Directors to determine their remuneration;
- (5) Grant of a general mandate to the Board of Directors to allot, issue, grant, distribute and otherwise deal with

additional shares in the Company, not exceeding ten per cent. of the Company's issued share capital as at the date of this resolution\*;

- (6) Grant of a general mandate to the Board of Directors to purchase shares in the Company, not exceeding ten per cent. of the Company's issued share capital as at the date of this resolution\*;
- (7) Conditional on the passing of resolutions 5 and 6, authorisation of the Board of Directors to exercise powers to allot, issue, grant, distribute and otherwise deal with additional shares in the Company under resolution 5 in respect of the aggregate nominal amount of share capital in the Company purchased by the Company\*; and
- (8) Amendment to the Articles of Association of the Company to permit the Company to deliver or serve any notice or other document (including any corporate communication) to or on its shareholders by publishing it on a computer network (including the Company's website)\*.

\* (The full text of the resolution is set out in the Notice of the AGM.)

The poll results were posted on the websites of the Company and the Stock Exchange on the same day after the AGM. The webcast of the AGM was also posted on the Company's website in the same evening after the AGM.

#### **Extraordinary General Meeting ("EGM")**

The Company may also communicate with its shareholders through EGMs if and when appropriate.

If shareholders want to convene an EGM of the Company, those shareholders may requisition the Directors of the Company to do so, provided that at the date of requisition they hold, in aggregate, not less than one-twentieth of the paid-up capital of the Company. The shareholders' requisition must state the objects of the meeting requested and must be deposited at the registered office of the Company. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If, within 21 days from the date of the deposit of the requisition, the Directors of the Company do not proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the relevant shareholders, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that any EGM so convened is held within three months from the date of the original requisition.

#### **Enquiries from Shareholders**

Details of other means of communication with shareholders are set out in the section of Investor Relations on pages 82 and 83.