





Fostering
**ONE Company
One Team**

In 2007, our priority was to integrate our people as "One Company One Team" while ensuring a stable workforce with harmonious staff relations

Executive Management's Report

Human Resources



Our staff exemplified trust and a mutually supporting working culture in team building

The Company's success has been built on the commitment, caring service and professionalism of our staff. We have always regarded people as our most important asset, driving our business expansion and enabling the Company to adapt to changes. The Rail Merger created a significant opportunity for us to integrate as "One Company, One Team" thereby making the Company stronger, more energetic, more competitive and more united as we aspire to be the finest railway company in the world.

Merger Planning and Communication

Merger is about people. One of the key challenges of the year was the need to maintain a stable workforce during the time leading up to the Appointed Day, while also ensuring that staff resourcing for our growth business remained uninterrupted.

As a caring employer, the Company took the interests of staff into account in the merger process while ensuring fairness and equity in formulating policies that affect our staff. Staff were consulted through various channels and great efforts were made to maintain close communications with them. An internal newsletter, Merger Update, was published regularly to give information on major milestones and merger issues, and staff were kept abreast of progress through letters from the CEO and Human Resources Director, briefings, a merger hotline and e-mail. As a result, harmonious staff relations were maintained throughout the merger process.

One Company, One Team

To provide a platform for staff to learn about the merger process, reinforce staff's positive mindset and provide an opportunity for staff from different backgrounds to interact and get to know each other, a series of Cultural Integration Programmes were launched for over 12,000 staff. The three main themes of "Embracing Change as Opportunity", "One Company, One Team" and "Taking Care of Our Customers" were successfully communicated to all staff. These programmes were designed to make the merger process more transparent and to reduce uncertainties.

To realise the vision of "One Company, One Team", we have communicated to staff before the Appointed Day the alignment of the employment terms and conditions and the introduction of one common grading structure. During the integration, we took the interest of staff as a major consideration and strived to maintain market competitiveness and to ensure equity and fairness among various functions and job categories for over 12,000 staff. Extensive staff communication and consultation, including staff briefings and publication of printed materials, were arranged to ensure staff understanding of the arrangements.

We have also developed comprehensive staffing plans to retain talents and qualified human resources to meet our business requirements. We have ensured a fair, effective and equitable staff selection and appointment process. A Voluntary Separation Scheme has been launched, which is a win-win approach that provides an additional option for staff while increasing flexibility in staffing arrangements so as to minimise the impact on staff.

Caring for the Community

As a caring and responsible organisation, the Company takes its commitment to the community seriously.

In 2007, staff continued to volunteer in community projects through the "More Time Reaching Community" Scheme. The Scheme provides corporate support for staff to initiate and participate in community projects. During the year, 86 activities were organised involving the elderly, the physically and mentally challenged, underprivileged children and families, and environmental protection.

In recognition of the Company's contributions to society through employee volunteering, community giving and providing a safe and family friendly workplace for our staff, we were again awarded the Caring Company Logo 2007/08 following nomination by eight social service organisations.

One Common Grading Structure and Employment Terms and Conditions

aligned for 14,134 Staff

452 Staff Communication Sessions for Merger

99 Cultural Integration Workshops

for Over 12,000 Staff

Training for Appointed Day Integrated Operation

Completed

36,225/7,637 Man Days for Operations/Management Training respectively

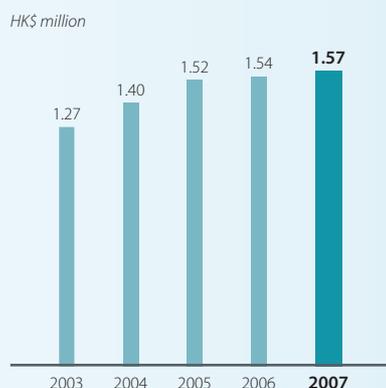
86 More Time Reaching Community Projects

Completed and Involved 1,800 Volunteers

Free Flu Vaccination for All Staff to Safeguard Staff Health

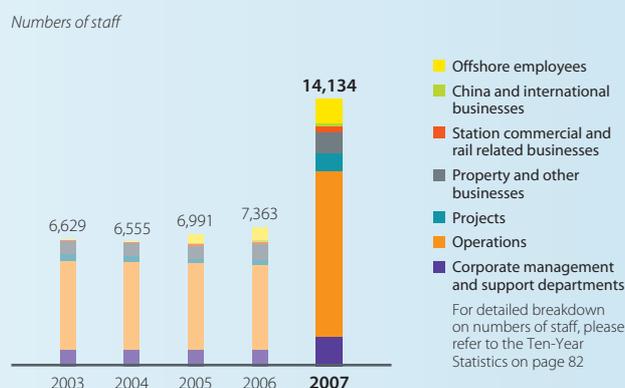
Staff Productivity – Turnover Per Operating Railway Employee

Productivity has shown continuous improvement.



Total Staff Strength

The Company had a greater pool of skilled employees after the Rail Merger to pursue its business expansion.



Progressive integration activities such as cookery competition were held to foster team spirit

Training and Development

2007 was a particularly intensive year for the provision of training to ensure that staff members have the skills and expertise they need for the challenges of the merger and the new era. Timely and comprehensive operations and safety training provided the requisite knowledge and skills to ensure staff were competent for the Appointed Day integrated operation. A series of internal customer service training courses was organised to cultivate a mutually supportive working culture. In addition, customer service training focusing on empathy was launched to all station operators, train staff and station maintenance staff.

In order to meet the future requirements of the Company, several major initiatives were undertaken to develop management talents. We trained 2,000 senior and junior supervisors in "Coaching through Empathetic Listening" and conducted a series of important seminars on "Doing Business in China" for senior supervisors. The leadership skills of station supervisors were also tested in a new programme entitled "Being a Service Leader".

Leadership Development

Developing capable staff with high potential at various levels of the organisation continued to be a priority for creating a pipeline of management prospects. All 11 young managers in the three-year Executive Associate Scheme started their new placements in 2007. In addition, a Mentoring Scheme was launched in which each Executive Associate was assigned a senior manager as



Train Simulator in Kowloon Bay Training Centre to ensure staff competency

his/her mentor. This served the dual purpose of developing the Associate as well as our high potential senior managers.

In 2007, a Graduate Trainee Development Task Force comprising representatives from all key functions was formed to take care of the Graduate Trainees' job placement and development. Ten Graduate Trainees from the Mainland of China joined the Company during the year, along with six from Hong Kong SAR.

Other development programmes were undertaken to support managers with strong career potential. Four senior managers attended overseas executive development programmes and three middle managers attended the Ivey Consortium Executive Programme organised by the Richard Ivey School of Business. Training programmes were also held in Hong Kong for Mainland operations managers from our Beijing and Shenzhen investment projects, along with training for key Mainland staff from our Shanghai project.

In the CoMET Staff Exchange Programme, two senior supervisory staff were selected for a six-month secondment to London Underground. The key objectives of the programme were for secondees to acquire experience of working in a country with

a different culture and to benchmark best practices in their respective functional areas.

Support for Growth Business

With the rapid expansion of our activities outside Hong Kong, we continued to provide proactive training support to offshore projects such as Shenzhen Metro Line 4, Beijing Metro Line 4 and external consultancy. We also stepped up resourcing efforts for the timely mobilisation of manpower to support the new franchise of London Underground.

The China Graduate Trainee Scheme was launched to groom local talents for our growth business in China. During the year, ten Graduate Trainees were recruited from leading universities in China. They started their 12-month intensive training and placements in Hong Kong in July 2007.

In addition, to develop local metro industry talents in the Mainland of China, the Company signed cooperation agreements with Beijing Communication School in December 2007 to co-run a Training Centre to train quality personnel for the metro industry.