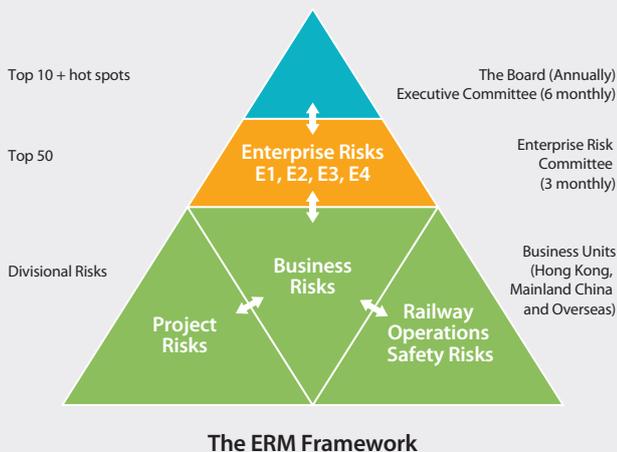


Risk Management

The Company's Enterprise Risk Management (ERM) framework is now embedded and dynamically applied across the organisation to prioritise and proactively manage the risks from our existing and growth businesses and from the ever changing external business environment. The ERM framework provides a clear and holistic view of the significant safety, business, finance, legal/regulatory and reputation/political risks facing the Company. It forges sound governance and business practices through identifying the responsible owner and action parties for each risk and ensures that risks are reviewed every six months and that adequate risk control plans are in place. The Enterprise Risk Committee (ERC), which is chaired by the Legal Director & Secretary and comprises management representatives from key business functions, is central to the process. ERC steers the implementation and improvement of the framework and reviews the Top 50 and emerging risks every quarter and reports the key risks to the Executive Committee every six months. Every year, the Audit Committee reviews the risk management process and the Board maintains an oversight of the Top Ten risks and hot spots.



The Company's simple and practical ERM framework is now applied to over 20 key business areas and we have given our staff a suite of supporting tools. Our simple and consistent risk rating language for all kinds of risks is fundamental to our strong risk culture. The Top Ten and Top 50 risk maps are instrumental in providing our Board and management a sharpened focus on our dynamic risk profile.

Risk Management Excellence to Sustain Business Success

The ERM framework has been in operation since early 2006. We maintain a strong impetus to improve our systems and tools through annual reviews with users and cross-industry benchmarking and experience sharing. The key activities undertaken during the year were:-

- Shared and learnt from the third UK ERM roundtable and the second HK ERM roundtable events the best practices for governance of subsidiaries and for establishing a structured ERM training programme for the diverse needs of over 20,000 staff.
- Participated in an industry benchmarking on risk management with global railway companies and contributed our risk management knowledge to a best practice risk management handbook.
- Developed in-house an integrated risk management information system which captures over 5,000 multi-disciplinary risks and embeds our decade of good practices and knowledge into one platform.
- Invigorating ERM and heightening staff members' risk awareness through sharing of lessons learnt, risk management training and on-line discussion forum.
- Capturing business opportunities with confidence and risk intelligence through robust business case reviews and thorough assessment of risks during bidding, project, take-over and operational phases.
- Striving for optimal risk financing and total cost of risk by integrating ERM and insurance review processes.

International Recognition

The Company's collective efforts in ERM are recognised by a world-leading risk management professional body, the Institute of Risk Management. Not only did the Company win top honours as "Risk Management Team of the Year – Commercial" and "ERM Strategy of the Year" but we were also given the "Overall Winner for Outstanding Contribution to the Industry Award". The judges commended that our strategy is "capturing the hearts and minds of employees, establishing a simple and practical framework, demonstrating best practice in many areas and truly embedding ERM within the organisation. In addition, the Board has clearly bought into the ERM process and demonstrated its willingness to invest in its development."