

# CAPITAL WORKS COMMITTEE REPORT

As at the date of this Report, the Capital Works Committee of the Company (referred to as the "Committee" in this report) consists of seven Non-executive Directors, six of whom are Independent Non-executive Directors of the Company ("INEDs"). Details of the Committee's members and their attendance records during 2018 are set out on pages 120 to 121 of this Annual Report.

## DUTIES OF THE COMMITTEE

The Committee's Terms of Reference had been reviewed and updated by the Committee in 2018 to include explicit oversight in respect of matters related to quality management. The updated Terms of Reference was approved by the Board in October 2018 and are available on the website of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)).

The principal duties of the Committee include overseeing any capital project of the Company in Hong Kong and outside of Hong Kong involving design and/or construction activities ("Relevant Project") with a capital value in excess of HK\$10 billion and any other Relevant Project, in the event that such Relevant Project is four months or more behind programme on an overall basis; reviewing the progress of such projects, from both a programme and cost perspective; reviewing matters that could have a material impact on the quality, delivery and management of such projects, including processes and protocols adopted by the Company in supervising and managing the projects and non-compliances in relation to materials, works and processes; checking that there are adequate resources for and supervision of such projects; keeping under review the Company's communication strategy and protocols, and crisis management plan in respect of each of such projects; and reporting to the Board on a quarterly basis and on ad hoc basis if the Committee deems appropriate, in respect of the above.

The secretary of the meetings draws up agendas for each meeting in consultation with the chairman of the Committee, which may take into account topical matters relating to the projects at the relevant time.

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

The minutes of the Committee meetings are prepared by the secretary of the meetings with details of the matters considered by the Committee Members, including recommendations and any observations raised by the Committee Members. Draft minutes are circulated to the Committee Members before adoption. The Committee formally adopts the draft minutes at its next subsequent

meeting, after taking into account any comments that the Committee Members may have on the draft minutes.

## WORK PERFORMED BY THE COMMITTEE IN 2018

In 2018, the Committee held ten meetings at which the following key matters were reviewed and considered:

- reports on the progress and cost status of the Company's capital projects under construction including the Express Rail Link and Shatin to Central Link
- half-yearly reports on projects-related audits conducted by the Company's Internal Audit Department
- half-yearly reports on the construction programme and cost status of all the awarded development projects of the Company's Property Division in Hong Kong, and quarterly updates on the Tai Wai Station Property Development
- special reports on Exhibition Centre Station, To Kwa Wan Station and Hung Hom Station under Shatin to Central Link
- Quality Process & Procedures Review by independent consultant, Turner & Townsend

As mentioned in the Corporate Governance Report, with regard to the incidents relating to the Shatin to Central Link in 2018, an analysis has been undertaken to identify areas for continuous enhancement of the Company's risk management and internal control systems. A summary of the key actions identified are set out on pages 117 to 118 of this Annual Report.

Projects Director had attended six Committee meetings before his resignation in August 2018, Engineering Director attended nine Committee meetings in 2018, Managing Director – Operations & Mainland Business attended four Committee meetings in 2018, and General Manager – Procurement & Contracts attended four Committee meetings in 2018 to report and answer questions on progress of projects and cost related matters. Other Executives and senior managers were also invited to attend Committee meetings when required.

Dr Allan Wong Chi-yun  
*Capital Works Committee Chairman*  
Hong Kong, 7 March 2019

*The Capital Works Committee Report has been reviewed and endorsed by the Committee.*