

Introduction

The Octopus system is an electronic payment system using a stored value contactless smart card (or other device) called “Octopus” or through a network-based account known as “Octopus Wallet”. Apart from being a payment tool, Octopus can also be used for access control.

The holding company of the Octopus Group is Octopus Holdings Limited (OHL).

Octopus Cards Limited (OCL), the operator of the Octopus system, is a Stored Value Facility Licensee regulated by the Hong Kong Monetary Authority (HKMA).

The shareholders of Octopus Holdings Limited are:

	<u>Shareholding</u>	<u>%</u>
MTR Corporation Limited (MTR)	26,887,542	64.02
Kowloon-Canton Railway Corporation	9,282,000	22.1
KMB Public Bus Services Holdings Limited	5,808,458	13.83
Sun Ferry Services Company Limited (Sun Ferry)	<u>22,000</u>	<u>0.05</u>
	42,000,000	100.0

Corporate Structure

The companies comprising the Octopus Group (all 100% owned by OHL) are

OAL	Octopus Applications Limited
OCCFL	Octopus Cards Client Funds Limited (held on trust)
OCL	Octopus Cards Limited
OIP	Octopus International Projects Limited
OKL	Octopus Knowledge Limited (for Dubai project)
OND	Octopus Netherlands Limited (for the Netherlands project)
OPL	Octopus Payments Limited
ORL	Octopus Rewards Limited
OSL	Octopus Solutions Limited (for Auckland project)
OSY	Octopus Systems Limited
OTL	Octopus Transactions Limited

The Board of Directors

Octopus’ Board of Directors (Board) consists of a Chairperson nominated by MTR and non-executive Directors nominated by each OHL shareholder (for this purpose, except Sun Ferry). The Board may by a unanimous resolution of all shareholders appoint additional Directors.

Additional Directors have been so appointed, which include Independent Non-executive Directors (INEDs) and the Chief Executive Officer (CEO).

Each Director has a single vote for all matters except “Exceptional Business”. Matters of Exceptional Business shall be only resolved by unanimous votes cast by all Directors present at a meeting of the Board.

The responsibilities of Directors are as laid out in the Companies Ordinance. As a company with a large public service component in the services it provides, OHL also

aspires to follow the rules required to be followed by companies listed on the Stock Exchange of Hong Kong and their Directors, where applicable.

When appointing additional Directors, the Board is expected to achieve a necessary balance of skills and experience including:

- i. Gender diversity
- ii. Certified Public Accountancy qualifications
- iii. Information and communications technology
- iv. Listed company INED
- v. Compliance with the requirements of regulators
- vi. The payments industry
- vii. Investment
- viii. Public service

The Senior Management Group

The CEO of the Octopus Group is nominated by MTR. The CEO nominates from Department Heads and such Department Head's direct reports a Senior Management Group (SMG) for the Board's approval. The day-to-day management of the Octopus Group's business is undertaken by the SMG led by the CEO.

The Board delegates authority and responsibility to the CEO for managing the Company. Amongst other things, the CEO is responsible for ensuring that the Octopus Group adheres to all laws of Hong Kong (in particular, the Payment Systems and Stored Value Facilities Ordinance and the Personal Data (Privacy) Ordinance) and all regulations issued by applicable authorities (in particular, the Hong Kong Monetary Authority).

Committees of the Board

The Board has established the following Committees:

- i. Audit Committee
- ii. Risk Committee
- iii. Investment Committee
- iv. Remuneration Committee

Audit Committee

The Audit Committee is accountable to the Board and responsible for the oversight of and advice to the Board on matters relating to financial reporting and internal financial controls.

Risk Committee

The Risk Committee is responsible for the oversight of and advice to the Board on risk-related matters impacting the Octopus Group.

Investment Committee

The Investment Committee is responsible for reviewing and endorsing the Treasury Management policy for the Board's approval, overseeing the implementation of the approved Treasury Management Policy and any decisions made by the Board in relation to management of Octopus' surplus funds, and making recommendations to the Board to optimise investment return that commensurate with the level of risks acceptable to Octopus.

Remuneration Committee

The Remuneration Committee is responsible for the oversight of and advice to the Board on the organisational structures and matters relating to the remuneration of the employees of the Octopus Group.

Meetings of the Board

The Board meets no less than 6 times a year, usually in the odd months.

Every effort is to be made to distribute the agenda and papers for a Board meeting 5 business days before the meeting.

Comprehensive Management Accounts and related information as at the end of the immediately preceding month are to be presented at all regular Board meetings, to report the financial and operating status of the Octopus Group.

Corporate Strategy is to be reviewed and presented to the Board once a year.

Prior to each Board meeting, the Company Secretary is required to consult the CEO and members of the SMG and to draft an agenda for the meeting. She/He will then seek the Chairperson's approval of the draft.

The CEO and the Company Secretary are responsible for ensuring that Board papers are succinct and to the point. To achieve this, members of the SMG must exercise judgement to ensure that:

- i. Issues that Directors will consider important are brought to their attention;
- ii. Matters that Directors will consider to be relevant to decisions being requested are presented;
- iii. Considerations that Directors will consider peripheral, irrelevant or inconsequential to the matter at hand are omitted.

Apart from obtaining decisions as necessary from the Board, it is the responsibility of the CEO and the SMG to ensure that at all times Directors have good understanding of what is going on in the Group, business as usual excepted. Directors learning of notable events or conditions affecting the Group from the media or third parties will be considered to be a failure to discharge this responsibility.

Conflicts of Interest

A register of Directors' interests is maintained by the Company Secretary and is presented to the Board once a year, or when there is a change.

The rules for handling Directors' Conflicts of Interest are comprehensively laid out in the Articles of Association of OHL.

Directors' Induction and Training

Management is to provide an orientation programme for new Directors. The programme includes discussions with the CEO and SMG members and reading materials covering Octopus' strategic plans, significant financial, accounting and risk management issues, compliance programs, management structure, internal and external audit programs and this manual.

Directors are expected to keep themselves well informed about relevant laws, regulations and the business environment with particular attention to changes.

The Company Secretary is required to put in place an effective information network which ensures she/he is well informed in good time about all courses, lectures, seminars and conferences taking place in Hong Kong that might be of interest to Directors and the SMG. Octopus will pay reasonable expenses incurred by the Directors in attending such events constituting relevant continuing education.