

Notes to the summary financial statements

1 Significant accounting policies

This summary financial statements have been prepared from the audited financial statements of the Company and all its subsidiaries (the "Group") for the year ended 31 December 2001. As the Company's financial statements for the year ended 31 December 2000 did not include financial statements of the Group, the consolidated financial information relating to financial year ended 31 December 2000 included in these summary financial statements is unaudited and has been prepared for comparative purposes.

The same accounting policies adopted in the 2000 annual accounts have been consistently applied except:

- in 2001, Group accounts were prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 32 "Consolidated financial statements"; and
- the adoption of SSAP 9 (revised) "Events after the balance sheet date".

2 Remuneration of Members of the Board and the Executive Directorate

A Remuneration of Members of the Board and the Executive Directorate

The aggregate emoluments of the Members of the Board and the Executive Directorate of the Company disclosed pursuant to section 161 of the Hong Kong Companies Ordinance were as follows:

<i>in HK\$ million</i>	2001	2000
Fees	2	1
Salaries, allowances and benefits-in-kind	33	33
Retirement scheme contributions	4	4
	39	38

Included in salaries, allowances and benefits-in-kind are realised gains on exercise of share options amounting to HK\$1 million (2000: Nil) in respect of certain members of the Executive Directorate. Details of the share option granted to the Executive Directorate are disclosed in note 2C. Allowances and benefits-in-kind also include housing, medical and education allowances.

Non-executive directors are appointed on terms of either one or two years except the Government directors whose appointments are subject to the provisions of section 8 of the Mass Transit Railway Ordinance.

The gross emoluments of the Members of the Board and the Members of the Executive Directorate were within the following bands:

Emoluments	2001 Number	2000 Number
HK\$0 – HK\$250,000	9	9
HK\$4,500,001 – HK\$5,000,000	5	6
HK\$5,000,001 – HK\$5,500,000	1	–
HK\$7,500,001 – HK\$8,000,000	1	1
	16	16

The information shown in the above table includes the five highest paid employees. The independent non-executive directors' emoluments are included in the first remuneration band.

B Loan to a Member of the Executive Directorate

The following loan granted to a member of the Executive Directorate is disclosed pursuant to section 161B of the Hong Kong Companies Ordinance.

The Company operates a Staff Housing Loan Scheme for its staff to facilitate the purchase of their self-occupied principal residence. The loan granted by the Company to Mr. Thomas Ho Hang-kwong under the Scheme has been fully repaid during the year (*outstanding balance as at 31 December 2000: HK\$2.2 million*). The maximum outstanding balance of the loan during the year was HK\$2.2 million (*2000: HK\$2.6 million*). This loan carried interest at the prevailing Best Lending Rate less 1.75% per annum and was secured by a first charge on the property. There was no outstanding unpaid interest nor any doubtful debt provision made against this loan as at 31 December 2000 and 2001.

C Share options

Under the Company's Pre-Global Offering Share Option Scheme ("Share Option Scheme"), Mr. Jack So Chak-kwong and each of the other members of the Executive Directorate were granted options on 12 September 2000 to acquire 1,599,000 and 1,066,000 shares respectively.

Under the terms of the Share Option Scheme, each member of the Executive Directorate must continue to beneficially own (i) at all times after 26 October 2001, at least 40,000 shares in the case of the Chairman and at least 23,000 shares in the case of other members of the Executive Directorate, and (ii) at all times after 26 October 2002, at least 80,000 shares in the case of the Chairman and at least 46,000 shares in the case of other members of the Executive Directorate.

2 Remuneration of Members of the Board and the Executive Directorate (continued)

C Share options (continued)

Options exercised and outstanding in respect of each member of the Executive Directorate as at 31 December

2001 are set out under the paragraph "Board Members and Executive Directorate's Interest in Shares" of the Report of the Members of the Board.

3 Segmental information

The results of major business activities for 2001, with comparative figures for 2000, are summarised below:

<i>in HK\$ million</i>	Turnover		Contribution to profits from operations	
	2001	2000	2001	2000
Railway operations	5,728	5,715	825	742
Station commercial and other businesses	973	995	679	722
Property ownership and management	891	867	730	723
Property developments	–	–	3,248	3,376
	7,592	7,577	5,482	5,563
Other corporate expenses net of other income			(1,198)	(1,494)
Profit for the year			4,284	4,069

No geographical analysis is shown as all the principal activities of the Company and its subsidiaries are carried out in Hong Kong.

4 Fixed assets and railway construction in progress

A Fixed assets

<i>in HK\$ million</i>	Investment properties	Leasehold land and buildings	Civil works	Plant and equipment	Assets under construction	Total
Cost or Valuation						
At 1 January 2001	10,151	1,649	34,802	40,757	4,378	91,737
Additions	195	–	–	34	2,749	2,978
Disposals/Write-offs	–	–	(2)	(64)	(16)	(82)
Surplus/(Deficit) on revaluation	17	(46)	–	–	–	(29)
Reclassification	–	–	40	(45)	5	–
Assets commissioned	–	–	1,351	2,741	(4,092)	–
At 31 December 2001	10,363	1,603	36,191	43,423	3,024	94,604
Aggregate depreciation						
At 1 January 2001	–	62	1,640	11,560	–	13,262
Charge for the year	–	34	330	1,814	–	2,178
Written back on disposal	–	–	(1)	(55)	–	(56)
Written back on revaluation	–	(23)	–	–	–	(23)
At 31 December 2001	–	73	1,969	13,319	–	15,361
Net book value at 31 December 2001	10,363	1,530	34,222	30,104	3,024	79,243
Net book value at 31 December 2000	10,151	1,587	33,162	29,197	4,378	78,475

4 Fixed assets and railway construction in progress (continued)

B Railway construction in progress

<i>in HK\$ million</i>	Balance at 1 Jan 2001	Expenditure during the year	Balance at 31 Dec 2001
Tseung Kwan O Extension Project			
Construction costs	6,185	2,676	8,861
Consultancy fees	771	30	801
Staff costs and general expenses	1,444	298	1,742
Finance costs	768	661	1,429
	9,168	3,665	12,833
Tseung Kwan O Extension Further Capital Works Project	26	14	40
Total	9,194	3,679	12,873

5 Bonds and notes issued

Bonds and notes issued during the year ended 31 December 2000 and 2001 comprise:

<i>in HK\$ million</i>	Amount issued 2001	Net consideration received 2001	Amount issued 2000	Net consideration received 2000
US dollar global notes	–	–	4,679	4,618
Debt issuance programme notes	2,650	2,648	700	698
HK dollar notes	2,350	2,347	–	–
	5,000	4,995	5,379	5,316

The net proceeds from the above issues were used for general working capital, refinancing or other corporate purposes.

Samurai yen bonds totalling HK\$1,121 million (2000: Nil) were redeemed during the year.

6 Reserves

<i>in HK\$ million</i>	Share premium	Capital reserve	Investment property revaluation reserve	Fixed asset revaluation reserve	Retained profits	Total
2001						
Balance as at 1 January 2001 (as restated)	–	27,188	6,501	139	11,527	45,355
Employee share options exercised	16	–	–	–	–	16
Shares issued under Scrip Dividend Schemes	548	–	–	–	–	548
Dividends paid	–	–	–	–	(1,203)	(1,203)
Surplus/(Deficit) on revaluations	–	–	17	(23)	–	(6)
Profit for the year	–	–	–	–	4,284	4,284
Balance as at 31 December 2001	564	27,188	6,518	116	14,608	48,994
2000						
Balance as at 1 January 2000	–	–	5,268	214	7,458	12,940
Transfer from share capital	–	27,188	–	–	–	27,188
Surplus/(Deficit) on revaluations	–	–	1,233	(75)	–	1,158
Profit for the year	–	–	–	–	4,069	4,069
Balance as at 31 December 2000 (as restated)	–	27,188	6,501	139	11,527	45,355

7 Other information

This summary financial statements is only a summary of information in the Group's 2001 Annual Accounts. It is not the Group's statutory financial statements and it does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full Annual Report and Accounts.