



This Summary Report 2001 only gives a summary of the information and particulars of MTR's Annual Report 2001 from which this Summary Report is derived. Both documents are available (in both English and Chinese versions) in electronic form on the Company's website at www.mtr.com.hk

You may obtain a printed copy of the 2001 Annual Report free of charge by writing to the Company's share registrar, Central Registration Hong Kong Limited, or our Corporate Relations Department. Their details are set out on the inside back cover of this Summary Report.



summary report

2001



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vision MTR – Hong Kong's fast track to a world class city.

mission to develop and manage a world class railway together with property and other related businesses, to enhance the quality of life in Hong Kong.



Beneath the surface of Hong Kong, MTR operates 82.5 kilometres of track. This report sheds light on many of the "behind the scenes" elements that contribute to the renowned efficiency and accessibility of this transit system. Through the information and analysis contained in this report, we also aim to relay to all shareholders our financial performance, reaffirming our commitment to high levels of transparency and accountability.

You may at any time choose to receive summary reports or annual reports in printed form or to rely on their versions posted on the Company's website. You may also at any time choose to receive (a) summary reports or annual reports in place of the other and (b) the English version only, the Chinese version only or both the English and the Chinese versions of the Company's summary reports or annual reports. You may make the above choices notwithstanding any wish to the contrary previously conveyed to the Company. You may change your choice on these matters by writing to the Company's share registrar, Central Registration Hong Kong Limited, whose details are set out on the inside back cover.

If you have already chosen to rely on the versions of the summary reports and annual reports posted on the Company's website or have difficulty in having access to those documents, you will, promptly upon written request, be sent those documents in printed form free of charge. Please send your request to the Company's share registrar, Central Registration Hong Kong Limited.

Key figures

Financial highlights <i>in HK\$ million</i>	2001	2000	% Increase/ (Decrease)
Revenue			
Fare	5,728	5,715	0.2
Non-fare	1,864	1,862	0.1
Operating profit from railway and related operations before depreciation	4,059	3,914	3.7
Profit on property developments	3,248	3,376	(3.8)
Operating profit before depreciation	7,307	7,290	0.2
Profit attributable to shareholders	4,284	4,069	5.3
Total assets	98,128	92,565	6.0
Loans, obligations under finance leases and bank overdrafts	31,385	27,203	15.4
Shareholders' funds	54,049	50,355	7.3
Financial ratios <i>in %</i>			
Operating profit from railway and related operations before depreciation as a percentage of turnover	53.5	51.7	3.5
Debt/equity ratio	58.1	54.0	7.6
Return on average shareholders' funds	8.2	8.5	(3.5)
Interest cover <i>in times</i>	3.8	3.8	–
Share information			
Earnings per share <i>in HK\$</i>	0.85	0.81	4.9
Dividend per share <i>in HK\$</i>	0.42	0.10*	N/A
Share price at 31 December <i>in HK\$</i>	10.20	13.65	(25.3)
Market capitalisation at 31 December <i>in HK\$ million</i>	51,563	68,250	(24.4)
Operations highlights			
Total passenger boardings <i>in millions</i>			
MTR Lines	758	767	(1.2)
Airport Express Line	9.0	10.3	(12.8)
Average number of passengers <i>in thousands</i>			
MTR Lines <i>weekday</i>	2,231	2,240	(0.4)
Airport Express Line <i>daily</i>	25	28	(10.7)
Fare revenue per passenger <i>in HK\$</i>			
MTR Lines	6.81	6.73	1.2
Airport Express Line	62.5	53.1	17.7
Proportion of franchised public transport boardings <i>in %</i>			
All movements	23.5	24.1	(2.5)
Cross-harbour	57.4	57.9	(0.9)
Proportion of transport boardings travelling to/from the airport <i>in %</i>			
Airport Express Line	27	28	(3.6)

* Represented dividends for approximately three months during which the Company's shares were listed in 2000.

Chairman's statement

Dear Shareholders,

In the Company's second year as a publicly listed company, MTR achieved satisfactory profits despite the poor economic environment in Hong Kong. This achievement was made possible by further improvements in efficiency and productivity whilst at the same time maintaining or exceeding the high operational standards achieved in previous years. The results testify to our successful business model that integrates our railway business with the development of substantial properties connected to our railway stations and depots.

Total net profit for the year reached HK\$4,284 million, an increase of 5.3% over 2000. Earnings per share increased by 4.9% to HK\$0.85.

The Board of Directors has proposed a final dividend of HK\$0.28 per share which combined with the interim dividend of HK\$0.14 per share would bring total dividends for the year to HK\$0.42 per share. As in the previous year, shareholders will be given an option to receive dividends in either cash or in scrip. The Government has undertaken to elect to receive its entitlement in scrip form in such amount as to ensure that no more than half of the total dividend will be paid in cash, thus demonstrating its continued support for the Company and providing us with capital for future development.

2001 achievements

Economic weakness in Hong Kong together with continued migration of population from urban areas to the New Territories and competition from other transport modes contributed to a 1.3% year-on-year decline in total patronage to 767 million, although total fare revenue increased marginally by 0.2% to HK\$5,728 million. Patronage on the Airport Express Line was particularly affected by the tragic events of 11 September 2001 in the United States.

To counter the strong competition, we increased our initiatives to attract people to use the MTR and worked closely with the Government to improve the integration of our network with those of other transport operators. We refurbished stations to create a livelier environment and increased train service on the Urban Lines during off-peak hours and at evening peak times. The train modernisation programme, which was completed ahead of schedule, also improved the attraction of the MTR by providing customers with more comfortable trains, better lighting and ventilation, more comfortable seats and additional space for luggage or wheelchair use. The September opening of the new cross-platform interchange between the Kwun Tong Line and the Island Line at North Point Station resulted in significant time savings for passengers. New marketing initiatives, such as Hello Kitty & Snoopy model trains and other loyalty programmes were also introduced to promote ridership.

Our non-fare revenues increased marginally by 0.1% to HK\$1,864 million, resulting in total revenues from railway and other businesses of HK\$7,592 million, an increase of 0.2% over 2000. Notable achievements in our other businesses were significant increases in external consultancy business and continued good results from our property investment and management businesses. Our ongoing programme of increasing efficiency and productivity through cost control saw operating costs before depreciation decrease by 3.5% when compared to last year, a saving of HK\$130 million. This allowed operating profit from railway and related operations to increase by 3.7% to HK\$4,059 million. The operating margin of 53.5% was the highest since 1998.

During the year good progress was made in the construction and pre-sales of residential property units, particularly in Tung Chung, allowing the Company to realise property development profits of HK\$3,248 million despite the soft property market.

MTR also benefited from declining interest rates with interest expenses decreasing to HK\$874 million from HK\$1,143 million. We took full advantage of the low interest rate environment to re-finance less cost effective borrowings as well as to take on additional net borrowings to finance our capital expenditure programme. Depreciation, however, increased by 4.2% to HK\$2,178 million mainly as a result of the capitalisation of the Quarry Bay Congestion Relief Works costs during the year.

Outlook

Despite the challenging business environment, we see a number of exciting opportunities for our future development.

In our railway business, we take pride in our record of delivering major railway projects on time and within budget. The Tseung Kwan O Extension project is now well advanced, with the major civil construction works for the entire line completed in June last year and remaining works progressing satisfactorily. I am pleased to report that the latest estimated cost for the project has been revised to HK\$18 billion, a reduction of more than 40% compared to the original budget and 14% below last year's revised budget. We are targeting to open the line for public service around mid August 2002, four months ahead of our project obligation to the Government.

As I reported last year, the Government's long-term policy commitment to promote rail as the backbone of Hong Kong's public transport network, as embodied in its Railway Development Strategy 2000, is of long-term importance to MTR. During the year, we continued our discussions with the Government regarding a number of Railway Development Strategy 2000 projects as well as the Penny's Bay Rail Link. We submitted several proposals to undertake new projects and extensions on the basis of a commercial return, which the Government has recognised to be typically calculated at a margin of between 1% and 3% above our weighted average cost of capital.

In response to the Government's invitation, in July 2001 we submitted a competitive proposal for the Shatin to Central Link. This is an important project for the Company and the Government has assured us that the proposal will be assessed in both its financial and technical aspects on a "level playing field" basis as between the Company and Kowloon-Canton Railway Corporation, which we understand has also submitted a proposal. We believe that our proposal is highly competitive in respect of cost, programme and customer service features. The tender is currently under consideration by the Government.

Separately, we have also submitted proposals to construct, finance and operate the Island Line Extensions, comprising the North Island Link and the West Island Line, which are regarded as natural extensions of the MTR system. We expect progress in discussions with the Government on these proposals during 2002. On the Penny's Bay Rail Link, we continued our discussions with the Government on the project agreement which we expect to finalise in 2002 and for construction work to begin thereafter. We also submitted a proposal to build a cable car system on Lantau Island, linking Tung Chung with Ngong Ping and the nearby Big Buddha statue and Po Lin Monastery. We have been

shortlisted by the Government for final negotiations on this project, which would establish a major new tourist attraction in Hong Kong.

In our real estate business, with all development projects of the Airport Railway awarded by the end of year 2000, the focus now is to ensure the timely construction, completion and, as appropriate, leasing or sale of these properties. With respect to property developments along the Tseung Kwan O Extension, our tender for Area 55b in December 2001 attracted strong interest and the development was awarded in January 2002 to a consortium led by New World Development Company Ltd. We anticipate tenders for more Tseung Kwan O development packages during 2002. The refurbishment undertaken during 2001 at Paradise Mall and Telford Boulevard, as well as the adjustment of trade mix at Maritime Square, should enhance rental yields in 2002. Our property management business will continue to expand, as further developments on the Airport Railway projects are completed.

We continue to examine new ways to build on MTR's goodwill and image, and its large customer base. Usage of Octopus cards continued to expand in 2001, with 8.2 million cards in issue by year-end, an increase for the year of 15.5%. The management of Octopus Cards Limited is committed to expanding card usage further as well as exploring other revenue enhancing initiatives.

In our advertising business, the Company will strive to increase revenues despite poor market conditions. The "e-Instant Bonus" system launched in the year will be extended whilst new advertising formats and panels will be installed. Refurbishment and re-merchandising of stations will continue.

I reported last year that we are always mindful of opportunities outside of Hong Kong. As at the end of 2001 we were involved in external rail consultancy contracts in Bangkok, Kaoshiung, Taipei, Singapore, Delhi and Sydney as well as cities in Mainland China such as Shanghai, Guangzhou and Shenzhen. We continue to look for consultancy contracts that leverage our skill base and enhance our revenue.

To support our future development, the Company continues to maintain a strong balance sheet with comfortable financial ratios. Our capital expenditures on committed projects and existing systems will fall significantly after completion of the Tseung Kwan O Extension. We therefore have substantial capacity to raise capital to finance new projects or businesses.

The current difficult economic environment and competition from other modes of transport continue to challenge our existing operations. We will therefore continue our efforts to control costs, increase productivity and improve efficiency where possible. Inevitably this will affect our staff and I extend to them my sincere thanks for their co-operation, understanding and commitment. Cost control balanced with the need to continue providing excellent levels of service is firmly embedded in the minds of everyone at the Company. A good example of this will be the opening of the Tseung Kwan O Extension, where we intend to meet the additional operational requirement without increasing overall staffing levels; with all staff being required for the operation of this line to be re-deployed from other parts of our business.

Economic considerations have also led the Board of Directors to decide not to raise fares in 2002, following a similar decision in 2001.

Our commitment to stakeholders

The Company, as a unique railway organisation managing diverse businesses, is committed to its Core Values of Service, Respect and Value for all stakeholders, including our nearly half million shareholders, the 2.23 million passengers served each weekday and our 7,231 staff members. These core values underlie our commitments and lay the

foundation for our business and social objectives. We are determined to meet those objectives by maintaining high standards of disclosure, transparency, strong corporate governance and building an ethical culture within the Company. We continue to strive to be a socially responsible organisation, placing emphasis on social sustainability and taking the lead in promoting environmental and safety awareness. The Company became a founding member of the Association for Socially Responsible Investment in Asia last year and our achievements in environmental initiatives were recognised by our winning the "Hong Kong Eco-Business Grand Award".

Our 2001 staff attitude survey revealed that the majority of our employees regards MTR as a progressive company, where safety and working conditions, communication and employee involvement are areas of strength. Externally, we are viewed as a leading company in Hong Kong providing high quality services, according to the "Review 2001" survey conducted last year by the *Far Eastern Economic Review*. Guided by our vision, mission and core values, we aim to remain at the forefront of promoting social and environmental awareness, good corporate governance and open investor communications.

Optimism in a challenging environment

The global economy continues to perform poorly, although there are some early signs of a recovery in the United States. Hong Kong's economic growth slowed substantially in 2001 while entering its third consecutive year of deflation. We nevertheless remain optimistic concerning the outlook for our Company. With costs tightly contained, a healthy balance sheet, excellent people and a culture of transparency, strong risk management and control, MTR is soundly positioned to meet future challenges.

To achieve our mission in 2002, MTR will focus on the following objectives:

- Achieve further cost control through increased efficiencies and re-deployment of staff.
- Improve patronage.
- Commission the Tseung Kwan O Extension with a target opening date of August.
- Pursue new rail projects in Hong Kong including the Shatin to Central Link and the Penny's Bay Rail Link.
- Further develop the planning of the Island Line Extensions in conjunction with the Government.
- Continue the tendering process for Tseung Kwan O Extension property developments and strengthen revenue from our investment properties.
- Continue to expand our consultancy services and project operations outside Hong Kong.
- Enhance revenue from rail related businesses such as Octopus, advertising, station retail and telecommunications.

Finally, I extend my gratitude to my directors and all staff for their commitment and hard work in these difficult times. I wish to further thank our shareholders, financiers and business partners for their continued support.



Jack So Chak-kwong *Chairman*
Hong Kong, 28 February 2002

2001 business review

business environment

Renewed economic weakness

The year 2001 saw a steady deterioration in prospects for a recovery in Hong Kong, as economic conditions in the United States and other major markets worsened. Although the terrorist attacks of September 11 were a tragic and dominant event, the US economy had begun to show signs of slowing as early as March. Not until the end of the year did interest rate cuts seem to slow the decline.

The situation inevitably affected Hong Kong, with our open marketplace and large trade flows with the United States. Despite continued strong growth in mainland China, domestic exports and re-exports decreased respectively 15.2% and 4.6%. Tourism was affected, with air passenger numbers flat.

Hong Kong also continued its economic adjustment brought about by the Asian financial crisis and the currency peg. The consumer price index fell 1.6%. Despite lower interest rates, uncertainties discouraged business investment and reduced employment. The local stock market was among the worst performers of major markets, closing the year down 25%. In this climate, consumer confidence and spending remained understandably weak. Hong Kong's GDP rose 0.1%, after rising 10.5% in 2000.

Rail expansion remains desired goal

Despite the weak economy, total public transport demand rose moderately to 4,017 million, although the weak economy and continued strong competition saw MTR's market share fall marginally from 24.1% to 23.5%. The market share of the Airport Express Line declined from 28% to 27% in 2001, affected by fewer tourist arrivals from developed countries.

The longer-term trend for Hong Kong to favour railway over other transport modes remains firmly in place, however, especially given the increasing demand for better air quality.

The Government's Railway Development Strategy 2000 states that railways will form the backbone of the future transport system. Six new lines have priority, including the North Island Link, West Island Line and Shatin-Central Link. This aims to bring 70% of Hong Kong people within one kilometre of a station and raise railway's overall share of public transport from 31% in 2000 to 43% in 2016.

A challenging property sector

The Hong Kong property market remained weak throughout the year. Affordability improved, but rising unemployment, job worries and oversupply weighed heavily on the market. Activity picked up later in the year as interest rates bottomed, allowing transactions to rise marginally from 85,774 units in 2000 to 88,190.

Companies continued to set up regional operations in Hong Kong, which drove demand for quality office space. This was largely offset by shrinking demand overall, owing to poor business conditions and cutbacks in sectors such as technology and finance. As a result, the rise in rental rates in 2000 was reversed, which also pushed down capital values.

Although consumer sentiment and spending remained weak throughout the year, the retail property sector was relatively stable, holding on to rental gains achieved since mid 1999. Larger, higher quality and well-managed shopping centres in good locations have continued to be the main winners in the sector.

railway operations

MTR continued to make a major contribution to Hong Kong's quality of life and its role as an efficient service hub by providing a safe, reliable, fast and environmentally friendly mass transport service.

Ridership and revenue

Following an improvement at the end of 2000, there was a decline in the number of people riding on our railway network.

This was due to rising unemployment, a shift of population to the New Territories and increased competition from other modes of transport. Total passenger volumes on the MTR Lines (excluding Airport Express Line) were 758 million, against 767 million in 2000, representing 23.5% of the total market. Our share of cross-harbour traffic fell marginally to 57.4%. Fare revenues from the MTR Lines decreased slightly to HK\$5,164 million.

The Airport Express Line faced greater challenges, especially after the events of September 11. Passenger volumes fell 12.8% to 9.0 million, representing 27% of the airport traffic market. Revenue was not affected and indeed increased as we removed fare discounts. The average fare rose from HK\$53.1 in 2000 to HK\$62.5 in 2001, resulting in revenue of HK\$564 million, an increase of 2.7%.

Innovative marketing initiatives helped ridership, from the "More Time For Life" advertising campaign to the web-based MTR Club, which attracted younger people. Patronage promotions added 3.17 million additional rides.

Excellent performance

MTR has an Operating Agreement with the Government that sets out minimum performance levels, which are supplemented by our own Customer Service Pledges. We exceeded all these targets. For the year, MTR passenger journeys were 99.9% on time. This means an MTR passenger who travels twice a day and five days a week would on average experience a delay of five minutes or more only once every two years. In the few cases of major service disruption, our staff responded swiftly to assist passengers and ensure services could start again quickly. Escalator and other equipment all recorded excellent reliability figures.

As a result, customer satisfaction was high whilst performance against international benchmarks was more than satisfactory.

Improving the network

A number of important improvements to trains, stations and customer service was made in 2001.

In December 2000, we increased the train service of the Urban Lines during off-peak hours, followed in mid 2001 by a higher frequency evening peak service. These changes shortened travel time and added to passenger comfort. Early completion of the train modernisation programme also made MTR trains more comfortable, with better lighting and ventilation, improved seats, better displays and additional space for luggage or wheelchair users.

The smooth opening of the new cross-platform interchange between the Kwun Tong Line and the Island Line at North Point Station was another significant achievement. It saves passengers considerable time and resulted in an immediate 1.8% increase in cross-harbour passengers and a 0.6% increase in total passengers.

To enhance customer service, we continued to upgrade station entrances, concourses and control rooms. We also began to install platform screen doors on the Urban Lines to improve the overall environment, energy efficiency and safety. The first installation became operational at Choi Hung in October 2001. MTR is the only company in the world to retrofit platform screen doors to lines already in service.

Awards

MTR has an excellent track record in all aspects of railway operation from design, construction, commissioning and operation to maintenance.

This was recognised in numerous awards. We were one of only three companies to win "The General Secretariat Award for Innovation in Public Transport" from the International Association of Public Transport (UITP). We were also rated "Best Transport Operator" in the annual survey on the "Performance of Public Transport Institutions in Hong Kong" by the Democratic Alliance for the Betterment of Hong Kong.

In January, MTR was awarded ISO 9001:2001 certification. We were the first Hong Kong company to receive this certification from the Hong Kong Quality Assurance Agency under the revised quality standard.

Higher productivity and lower cost

Our commitment to exploiting new technologies and adopting best practices helped us reduce total operating costs from HK\$3,663 million to HK\$3,533 million, as we made productivity gains. Business process re-engineering and developing a multi-skilled work force have allowed us to re-deploy staff and reduce manpower. We also outsourced some maintenance and supporting services. Where appropriate, we have also automated operations.

Our Total Station Operation and Total Depot Operation schemes, which involve the gradual merger of operations and maintenance activities at stations and depots, made further progress.

We made cost reductions also in many other areas. We reduced electricity consumption by optimising the train control system and replacing station lighting by more energy efficient devices. We also benefited from rebates offered by the power companies. Our maintenance and asset replacement costs were well contained through a systematic and highly effective asset replacement programme.

Environment and safety

MTR aims at providing a framework to promote sustainability. We provide equitable access to affordable, safe and reliable transportation while minimising consumption of non-renewable resources, noise and emissions. This leads to lower costs, lower potential liabilities, higher productivity, timely completion of new projects and interest from socially responsible investors.

We strive to make our railways accessible to all – including children, seniors and the physically impaired – with station features such as lifts and ramps, Braille route maps and bi-directional wide ticket gates.

We are committed to ensuring everyone's health and safety on MTR premises. In 2001 our safety records were again among the best in the world for our type of operations. Our Passenger Behaviour and Education programme continued throughout the year. We also ran awards, safety campaigns and participated in Transport Day. We trained employees about safety and refined the system that helps ensure high standards for contractors.

other businesses

Octopus contribution up sharply

Octopus Cards Limited continued to build on its success and by year end, 8.2 million cards had been issued, up 15.5% over 2000. Average daily transaction value grew 15% to HK\$47 million. The profit contribution from Octopus Cards Limited surged 123% to HK\$29 million.

The Octopus card system was rolled out to Hong Kong Tramways. More maxicabs and car parks joined and trials were completed on parking meters. Many non-transport organisations also participated, such as Vitasoy vending machines, public swimming pools and Maxim's fast food restaurants. More banks and Circle K convenience stores began offering add value services. These and automatic add-value services on credit cards are promoting greater usage.

Advertising holds market share

During 2001, we installed 20 trackside video projection systems, which are very popular. Special advertising on station walls and train bodies saw strong demand, helping us retain our more than 50% share of outdoor advertising. Advertising revenue for the year was, however, affected by the weak economy, falling by 15% to HK\$428 million.

A new interactive electronic coupon advertising system, "e-Instant Bonus", allowed advertisers to promote discount offers that could be instantly updated via our data network. We also launched a well-received free weekly magazine.

Mobile telecommunications usage grows

Total telecommunications revenue fell 0.6% to HK\$173 million. Mobile phone calls rose to 215 million and call minutes to 435 million, but was partly offset by a reduction in paging and payphone use. Rental income from mobile base stations constituted a new source of income.

Stable rental income

MTR allocates part of its station areas for commercial facilities, at year end totalling 15,124 square metres. These facilities, such as convenience stores, make using the MTR more interesting while providing rental income. During the year we began refurbishing commercial facilities, with new layouts and outlets, while maximising the permitted floor space. Despite the weaker economy, income from this business rose slightly by 2% to HK\$221 million.

Big consultancy wins

2001 saw a dramatic expansion of MTR's external consultancy business. We won 69 new overseas consultancy contracts worth HK\$71 million and revenues from consultancy rose 300% to HK\$32 million.

We won a contract in Bangkok and four contracts were signed for work in Singapore. Elsewhere, we won new business in Shenzhen, Guangzhou, Kaoshiung, Taipei and Delhi. In Hong Kong, MTR was awarded a contract to operate and maintain the Airport Authority Automated People Mover.

reduce the financial burden on MTR. We also worked with the Government and outside parties to ensure the proper off-site infrastructure will be available.

This work positioned us well for rolling forward our tender programme. When market conditions became more favourable at the end of 2001, we invited tender for Area 55b, a primarily residential scheme which was awarded in January 2002. We will tender more packages during 2002 if market conditions are suitable. The total development area related to the Tseung Kwan O Extension will be around 2.3 million square metres of mixed-use property.

Other developments

In August we signed a contract with Chun Wo Holdings Ltd. to develop a site above Choi Hung Station, improving the interchange facilities, adding retail and residential units, as well as incorporating public car parking.

We deferred a development above the remaining open-air part of Chai Wan Depot, but continued with plans for a site next to Tsing Yi Station.

Strong returns from investment properties

Income from investment properties held up well, despite the renovation of two major shopping centres during which retail floor space was taken out of use. The loss of revenue was offset by stronger-than-expected performance of the unaffected areas.

The major upgrading and renaming of Heng Fa Chuen shopping centre as Paradise Mall, with its striking theme, enlarged the catchment area and was near 100% pre-let upon opening. The renovated Telford Boulevard enhanced our successful Telford Plaza mall in Kowloon Bay. Maritime Square, our popular regional shopping centre at Tsing Yi Station, had another good year as we adjusted the mix of outlets.

Looking ahead, we have given significant attention to the design of the 80,000 square metre retail centre Union Square in downtown Kowloon. This is an important development in which MTR will have the majority interest.

Property Management

MTR is now one of Hong Kong's largest property management companies. By year end 39,613 residential units and 370,022 square metres of office and retail space were under our management. Income from property management rose by 21.7% to HK\$73 million in 2001. This business will increase in the coming years, as more Airport Railway property packages are completed and come under our management.

Tight cost control and high quality services allowed us to retain all existing management mandates. We devised new value-added services for customers and at the same time generated additional revenue for MTR. Our high-end Premier Management, which offers such attractions as 24-hour concierge service, was especially popular.

We introduced personalised Octopus cards for residents for convenient access and for use with other interactive equipment, making us a market leader in this area. We also upgraded our informatics and on-line management services to increase efficiency and to provide better customer services.

Environment

Market sentiment is creating demand for efficient, well-built and "green" developments. We have demonstrated our commitment to an environmentally friendly approach with our innovative planning for the Area 86 site at the future Tseung Kwan O South Station. With its segregation of pedestrians and vehicles, extensive open space and recreational facilities, accessibility and all necessary supporting community services, Area 86 will become the largest and best planned environmental town in Hong Kong.

property review

Our property is developed in cooperation with well-known property developers who bid in open tender for projects. We minimise downside financial risk to MTR through up-front payments from developers, profit-sharing, sharing of asset-in-kind or back-end profit. We also keep investment properties for rental income and manage properties for ourselves or other owners.

Despite a weak market overall, MTR recognised HK\$3,248 million in property development profits in 2001. We also achieved income growth from investment property and property management.

Airport railway schemes popular

The Airport Railway developments completed during the year accounted for a significant part of total SAR property sales. Completed properties became available in the Tung Chung, Olympic and Kowloon Station packages, including highly regarded residential developments such as Caribbean Coast and

Sorrento. Despite the weak market, total sales of 12,700 units were recorded by year-end. This demonstrates that MTR locations remain highly attractive because of their convenience and good planning.

Our commercial schemes also progressed well. Bank of China purchased a 28,000 square metre office block at Olympic Station and the Hong Kong Monetary Authority agreed to buy approximately 30,000 square metres of offices in International Finance Centre Tower 2.

We continued to work closely with developers and the Town Planning Board to refine schemes in order to add value, reduce costs and improve marketing prospects. A notable example is the Kowloon Station development, which we renamed Union Square.

Tseung Kwan O all set for 2002

The Tseung Kwan O Extension saw good progress in the works needed to prepare for property development. As in all our schemes, we minimised these works to limit front-end costs and

strategies for the future

The Government has made a clear policy commitment to develop Hong Kong's railway infrastructure. In line with this policy, we are planning and building new lines that will generate future fare revenue and property income for the Company.

Tseung Kwan O Extension ahead of schedule, below budget

The Tseung Kwan O Extension, which will bring areas of the new town into the MTR network, is currently ahead of schedule and is expected to begin operations in August 2002, with a final cost more than 40% below its original budget. The line will carry an estimated 56,000 passengers per hour per direction in the peak hour and will result in the building of 2.3 million square metres of mixed-use property.

Shatin-Central Link under consideration

In January 2001, the Government invited MTR to submit a competitive tender for the Shatin to Central Link. Nearly 50 people worked for six months on the proposal, which was submitted in July 2001.

Our proposal is keenly competitive in respect of cost and programme. To enable us to secure a commercial return on our investment, our proposal also includes a small amount of property development. We stated the new link could be open by 2008.

We are awaiting the Government's decision on this tender.

Progress on Penny's Bay Rail Link and Island Line Extensions

Construction work is planned to begin in mid 2002 on the Penny's Bay Rail Link that will connect Hong Kong Disneyland with the MTR. This involves building a new station at Yam O, connecting with the Tung Chung Line. In conjunction with this rail link to the new Hong Kong Disneyland, a tourism-related commercial development of around 100,000 square metres of gross floor area is proposed adjacent to the future Yam O Station.

Our proposals for the North Island Link and West Island Line are under consideration by the Government. The North Island Link will connect the Tung Chung Line to the Island Line at Fortress Hill. The West Island Line will extend the network to Kennedy Town. We aim for completion between 2008 and 2012.

Tung Chung cable car

We have been shortlisted by the Government in a tender to build a cable car system on Lantau Island linking Tung Chung with Ngong Ping and the nearby Big Buddha Statue and Po Lin monastery. The scheme foresees a major new tourist landmark harmonising with the surroundings.

Over one million people are expected to use the cable car in its first year, boosting ridership on the Tung Chung Line. We look to complete the project by 2005.

Towards a true "world city"

We are working to ensure Hong Kong continues to benefit from a world-class, environmentally friendly public transit system by improving the integration of the MTR network and with other modes of transport. To this end, we are examining less expensive above ground light rail links.

Pedestrianisation and better pedestrian links between MTR stations and neighbouring buildings would increase the attraction of MTR stations. Hong Kong needs more pedestrianisation to make the city truly a "world city". We continue to work hard to create pedestrian links with MTR stations, as between Causeway Bay and Times Square. Two connections within the MTR network will be added in 2002 and work has since begun on two more for completion by 2003. A further eight links are being studied.

human resources

MTR's culture enables us to attract, retain and develop high calibre people at all levels. Our achievements in this area were recognised by the "Good People Management Award 2001" from the Hong Kong SAR Labour Department.

In 2001, we focused on raising productivity while maintaining high levels of job satisfaction. Staff costs have fallen continuously since 1998 and a hiring freeze is in place. We have achieved cost savings through some staff reductions, balanced by the development of a multi-skilled workforce, redeployment and outsourcing. These initiatives have contributed to better job satisfaction and harmonious labour relations.

We have steadily improved employee communications and training. New equipment also helped improve training in 2001.

So too did revised training methods, some of which received awards.

In 2001 we officially launched our Core Values of Service, Respect and Value to help foster a strong culture of continuous improvement among our people. Our fourth Staff Attitude Survey showed that our employees strongly support MTR and identify with our objectives.

The MTR's recently published Code of Conduct covers employees, customers, contractors, the community, as well as health and safety. The code applies to all employees and aims to ensure consistently high standards of care and fair treatment – from excluding conflict of interests to transparency towards customers.

financial review

Financing achievements

During 2001, we capitalised on our good standing in the financial market to complete a sizeable financing programme at reduced costs to fund our expansion and to refinance existing debt. We continue to maintain a solid balance sheet whilst our high credit ratings have been raised or reaffirmed.

HK\$16 billion debt raised

MTR completed a borrowing programme totalling HK\$16 billion during 2001. The proceeds were used to refinance less cost-effective facilities and to cover the remaining funding requirement for the Tseung Kwan O Extension and other projects.

High liquidity and low borrowing costs in Hong Kong led us to focus on the local market. Of the total, HK\$11 billion was in the form of bank loans at very fine rates, some with maturities of up to seven years. The domestic bond market also offered excellent opportunities and MTR arranged a total of HK\$5 billion in medium term notes at very attractive costs.

As at the year-end we had a total of HK\$5.5 billion in credit facilities that we have not yet used. These are sufficient to cover our anticipated funding needs up to the first quarter of 2003.

Borrowing costs reduced

Improved borrowing terms and lower interest rates reduced our average interest cost from 7.8% to 6.6%. We continued to minimise interest rate risk by maintaining a conservative mix of fixed and floating rate debt. Through our Preferred Financing Model we diversify all types of risk and we use derivative instruments only to hedge and not to speculate, dealing only with counterparties enjoying high credit ratings.

Strong credit ratings

We were the first Hong Kong corporate borrower to obtain international credit ratings and have since been on a par with the Hong Kong Government. Despite the difficult business environment in 2001, MTR's strong credit fundamentals have continued to receive high recognition from international rating agencies. During the year, MTR's domestic/foreign currency ratings were raised to AA-/A+ by Standard & Poor's and Aa3/A3 by Moody's, well above investment grade and among the highest in Asia.

Financing capacity strengthened

Successful planning and implementation has reduced the estimated cost of the Tseung Kwan O Extension project. Other new projects were also streamlined. Our estimated capital expenditure programme over the next three years has fallen to HK\$10.6 billion. This leaves MTR with significant extra financing capacity.

We will continue our strategy of supplementing returns on railway investment with property developments, to help mitigate the impact of increased depreciation and interest charges on new railways.

Review of financial results

Profit and loss

Total fare revenue for the MTR Lines amounted to HK\$5,164 million, marginally below 2000's HK\$5,166 million. The average fare increased from HK\$6.73 in 2000 to HK\$6.81, mainly as a result of the full year effect of the additional 10 cents per ride charged since July 2000 to fund the platform screen doors project and increased length of average journey. Non-fare revenues increased from HK\$1,862 million to HK\$1,864 million.

Operating expenses before depreciation decreased by 3.5% to HK\$3,533 million. Staff costs were again reduced, from

HK\$1,688 million to HK\$1,641 million, reflecting higher productivity and staff redeployment. Other operating costs decreased by 4.2% owing to lower maintenance costs. As a result of lower costs, operating profit from railway and related operations before depreciation was up 3.7% to HK\$4,059 million. This represented a margin of 53.5% on total revenue and was the highest since 1998.

Profit on property developments amounted to HK\$3,248 million, compared with HK\$3,376 million in 2000, mainly due to the recognition of deferred income and sharing of profits in respect of certain Airport Railway developments.

Operating profit before depreciation, buoyed by the solid results from railway and property, increased marginally by 0.2% to HK\$7,307 million. Depreciation and amortisation charges, however, rose 4.2% to HK\$2,178 million, following the completion of the Quarry Bay Congestion Relief Works project. As a result, operating profit after depreciation was 1.3% lower at HK\$5,129 million. Against this, net interest expense fell from HK\$1,143 million to HK\$874 million, reflecting lower interest rate.

Net profit for the year increased from HK\$4,069 million in 2000 to HK\$4,284 million. Earnings per share were HK\$0.85 and the Board has recommended a final dividend of 28 cents per share for the year.

Balance sheet

Total fixed assets, mainly the railway system and investment properties, increased from HK\$78,475 million to HK\$79,243 million mainly as a result of railway improvement works.

Total loans outstanding were HK\$31,385 million, an increase of HK\$4,182 million, mainly to finance the Tseung Kwan O Extension and other capital works. The debt-to-equity ratio increased from 54.0% to 58.1%, in line with our longer-term financial plan, while interest cover – the ratio of pre-depreciation and pre-interest profits to total interest payments – remained at a satisfactory level of 3.8 times, the same as last year.

Deferred income decreased from HK\$10,403 million to HK\$8,411 million as amounts were recognised as profit in line with progress of construction and pre-sales of relevant property developments.

Total shareholders' funds stood at HK\$54,049 million, an increase of HK\$3,694 million mainly due to increase in retained profit and shares issued from scrip dividends.

Cash flow

Net cash inflow from operating activities increased slightly to HK\$4,155 million due to higher revenues and lower operating expenses. The main cash outflow related to the Tseung Kwan O Extension and other capital works, together with interest and dividend payments, amounted to HK\$8,312 million. The resulting cash shortfall was satisfied mainly by increased loan drawdown.

Ten-year statistics

	2001*	2000*	1999	1998	1997	1996	1995	1994	1993	1992
Financial										
Profit and loss account <i>in HK\$ million</i>										
Turnover	7,592	7,577	7,252	6,981	6,574	6,253	5,737	5,188	4,573	4,036
Operating profit before depreciation	7,307	7,290	5,523	4,720	3,805	3,342	3,143	2,901	2,557	2,303
Depreciation	2,178	2,091	2,039	1,426	927	850	658	594	571	590
Interest and finance charges	874	1,143	1,104	475	95	957	1,289	1,269	1,251	1,310
Profit	4,284	4,069	2,116	2,819	2,783	1,535	1,196	1,038	735	403
Dividend proposed and declared	2,118	500	–	–	1,252	647	–	–	–	–
Earnings per share <i>in HK\$</i>	0.85	0.81	0.42	–	–	–	–	–	–	–
Balance sheet <i>in HK\$ million</i>										
Total assets	98,128	92,565	87,250	82,104	75,428	64,644	45,356	35,487	31,686	27,379
Loans, obligations under finance leases and bank overdrafts	31,385	27,203	23,177	16,897	10,875	12,696	14,736	18,121	18,591	18,402
Deferred income	8,411	10,403	13,776	15,970	16,705	9,094	1,056	–	–	–
Shareholders' funds	54,049	50,355	45,115	42,601	41,815	35,473	25,261	12,363	11,258	7,932
Financial ratios <i>in percentage</i>										
Operating profit from railway and related operations before depreciation as a percentage of turnover	53.5	51.7	48.2	47.3	53.7	53.4	54.8	55.8	55.9	57.0
Non-fare revenue as a percentage of turnover	24.6	24.6	22.2	22.1	21.0	18.8	17.8	16.8	16.4	16.0
Debt/equity ratio	58.1	54.0	51.4	39.7	26.0	35.8	58.3	146.6	165.1	232.0
Debt/equity ratio (excluding revaluation reserves)	66.2	62.2	58.5	45.0	31.3	43.8	73.4	251.9	302.0	340.1
Interest cover <i>in times</i>	3.8	3.8	3.7	5.1	15.7	4.0	2.9	2.1	2.0	1.8
Employees										
Corporate management and service departments	960	994	1,057	1,339	1,128	1,092	1,096	1,062	1,014	938
Operations	4,756	4,943	5,132	5,890	4,575	4,499	4,490	4,345	4,237	4,033
Engineering and project	978	904	918	1,111	2,380	1,871	1,444	729	515	296
Property development and management	537	491	430	446	403	382	367	346	341	335
Total	7,231	7,332	7,537	8,786	8,486	7,844	7,397	6,482	6,107	5,602

	2001*	2000*	1999	1998	1997	1996	1995	1994	1993	1992
Railway operations										
Revenue car km operated <i>in thousands</i>										
MTR Lines	96,751	92,199	94,704	94,260	84,258	83,769	82,472	80,012	77,437	76,566
Airport Express Line	19,458	19,557	19,394	9,011	–	–	–	–	–	–
Total number of passengers <i>in thousands</i>										
MTR Lines	758,421	767,416	779,309	793,602	811,897	816,572	812,519	804,062	778,509	751,005
Airport Express Line	9,022	10,349	10,396	3,928	–	–	–	–	–	–
Average number of passengers <i>in thousands</i>										
MTR Lines – weekday average	2,231	2,240	2,284	2,326	2,382	2,379	2,377	2,335	2,258	2,171
Airport Express Line – daily average	25	28	29	22	–	–	–	–	–	–
Average passenger km travelled										
MTR Lines	7.4	7.3	7.4	7.4	7.4	7.5	7.5	7.5	7.5	7.5
Airport Express Line	29.8	29.7	29.9	31.2	–	–	–	–	–	–
Average car occupancy										
MTR Lines	58	61	61	62	71	73	74	76	75	73
Airport Express Line	14	16	16	14	–	–	–	–	–	–
Proportion of franchised transport boardings <i>in percentage</i>										
All movements	23.5	24.1	25.2	25.7	25.9	26.7	27.4	27.8	27.8	27.1
Cross-harbour movement	57.4	57.9	60.3	61.9	64.2	66.5	67.6	67.1	65.6	63.4
Proportion of transport boardings <i>in percentage</i>										
To/from the Airport	27	28	32	25	–	–	–	–	–	–
HK\$ per car km operated (all services)										
Fare revenue	49.3	51.1	49.4	52.7	61.6	60.6	57.2	53.9	49.4	44.3
Railway operating costs	24.5	26.8	27.3	29.2	29.5	29.1	26.0	23.9	24.4	21.5
Railway operating profit	24.8	24.3	22.1	23.5	32.1	31.5	31.2	30.0	25.0	22.8
HK\$ per passenger carried (all services)										
Fare revenue	7.46	7.35	7.14	6.82	6.39	6.22	5.80	5.37	4.91	4.51
Railway operating costs	3.71	3.85	3.94	3.78	3.06	2.99	2.64	2.38	2.43	2.19
Railway operating profit	3.75	3.50	3.20	3.04	3.33	3.23	3.16	2.99	2.48	2.32
Safety performance										
Number of incidents	686	748	859	842	814	869	716	794	766	725
Incidents per million passengers carried	0.89	0.96	1.09	1.05	1.00	1.06	0.88	0.99	0.98	0.97
Number of staff and contractors' staff accidents	39	36	49	65	54	40	42	61	52	72

* Consolidated results

Board and Executive Directorate

Members of the Board

Jack So Chak-kwong 56, was appointed Chairman and Chief Executive in 1995. Mr. So began his career with the Hong Kong Government. He joined the private sector in 1978, serving in various posts in securities, finance and properties. Mr. So also served as Executive Director of the Hong Kong Trade Development Council from 1985 to 1992.

Professor Cheung Yau-kai 67, was appointed to the Board on 1 March 1999. Professor Cheung is Honorary Professor of Engineering and Special Adviser to Vice-Chancellor of The University of Hong Kong.

Dr. The Honourable Raymond Ch'ien Kuo-fung 50, was appointed to the Board in July 1998. Dr. Ch'ien is Executive Chairman of chinadotcom corporation and Chairman of the Hong Kong/Japan Business Cooperation Committee. He is a member of the Executive Council of the Hong Kong SAR.

David G. Eldon 56, joined the Board on 1 May 1999. He is the Chairman of The Hongkong and Shanghai Banking Corporation Limited and a Director of HSBC Holdings Plc.

David W. Gairns 65, joined the Board in 1991. Previously Senior Partner of KPMG, Hong Kong. Mr. Gairns is a non-executive Director of The Hongkong and Shanghai Banking Corporation Limited.

Edward Ho Sing-tin 64, has been a Board Member since 1991. He is an architect and is Managing Director of Wong Tung & Partners Limited.

Lo Chung-hing 50, joined the Board in 1995. Mr. Lo is currently Deputy General Manager of Bank of China (Hong Kong) Ltd. He is a deputy to the 9th National People's Congress of the People's Republic of China.

Nicholas Ng Wing-fui 55, joined the Board in 1997 upon his appointment as Secretary for Transport of the Government of the Hong Kong SAR. Mr. Ng had served as Secretary for Constitutional Affairs and Director of Administration of the Hong Kong Government.

Denise Yue Chung-ye 49, became a Board Member in April 1998 upon her appointment as Secretary for the Treasury of the Government of the Hong Kong SAR. Ms. Yue had previously served as Secretary for Trade and Industry and Director-General of Industry.

Robert Charles Law Footman 49, joined the Board in June 2000. He is the Commissioner for Transport of the Government of the Hong Kong SAR. Mr. Footman had served as Postmaster General, Head of the Efficiency Unit and Deputy Director-General of Trade of the Hong Kong Government.

Members of the Executive of the Directorate

Russell J. Black 55, is a civil engineer. He initially worked for the Company from 1976 to 1984 and, prior to rejoining the Company in 1992 as Project Director, he was Project Director on the London Underground Jubilee Line Extension.

William Chan Fu-keung 53, joined the Company as Human Resources Manager in 1989. He joined the Executive Directorate in 1996 as Divisional Manager, Human Resources & Administration and became Human Resources Director in August 1998.

Philip Gaffney 54, was appointed Operations Director in July 1998. He joined the Company in 1977 and was previously Deputy Director, Operations Engineering. Mr. Gaffney is a railway signalling engineer.

Thomas Ho Hang-kwong 51, has served as Property Director since joining the Company in 1991. Between 1971 and 1990, he worked for the Hong Kong Government specialising in land administration. Mr. Ho is a chartered surveyor.

Clement Kwok King-man 42, is an economics graduate and a chartered accountant. He joined the Company as Finance Director in 1996 with extensive experience in accountancy and investment banking.

Leonard B. Turk 52, is a solicitor admitted to practice both in England and Wales and in Hong Kong. He joined the Company in 1981 and has been Legal Director and Secretary to the Board since 1988.

Report of the Members of the Board

The members of the Board have pleasure in submitting their Report and the summary financial statements for the financial year ended 31 December 2001.

Principal Activities of the Group

The principal activities of the Company and its subsidiaries are:

- A** the operation of a mass transit railway system with lines from Central to Tsuen Wan (Tsuen Wan Line), from Yau Ma Tei to North Point (Kwun Tong Line), from Chai Wan to Sheung Wan (Island Line), from Hong Kong to Tung Chung (Tung Chung Line) and from Hong Kong to the Hong Kong International Airport at Chek Lap Kok (Airport Express Line);
- B** property development at locations relating to the railway system including the Tseung Kwan O Extension;
- C** related commercial activities, including the letting of advertising space and marketing of commercial franchises on the railway system, property management and leasing management of investment properties;
- D** the design, construction, financing and operation of the Tseung Kwan O Extension;
- E** the planning and construction of future extensions to the railway system; and
- F** the operation of a smart card system by Octopus Cards Limited (formerly Creative Star Limited), a subsidiary of the Company, for the collection of payments for both transport and non-transport applications.

Dividend

The Directors have recommended a final dividend of HK\$0.28 per Ordinary Share to be payable to shareholders whose names appear on the Register of Members of the Company on 8 April 2002. Subject to the passing of the necessary resolution at the forthcoming Annual General Meeting, such dividend will be payable on 14 June 2002, in cash in Hong Kong dollars, with a scrip dividend alternative.

Members of the Board

Members of the Board who served during the year were Jack So Chak-kwong (Chairman and Chief Executive), Cheung Yau-kai, Raymond Ch'ien Kuo-fung, David Gordon Eldon, David Wylie Gairns, Edward Ho Sing-tin, Lo Chung-hing, the Commissioner for Transport (Robert Charles Law Footman), the Secretary for Transport (Nicholas Ng Wing-fui) and

Denise Yue Chung-yee. Jack So Chak-kwong and Denise Yue Chung-yee retired by rotation at the Annual General Meeting on 17 May 2001 and were re-elected as members of the Board.

Raymond Ch'ien Kuo-fung and Lo Chung-hing will retire by rotation at the forthcoming Annual General Meeting (in accordance with the Company's Articles of Association) and offer themselves for re-election.

Brief biographical details for Board Members are set out on page 12.

Alternate Directors

The Alternate Directors in office during the year were Martin Mckenzie Glass (for Denise Yue Chung-yee), Dorothy Chan (for Commissioner for Transport) and the Deputy Secretaries for Transport (for Secretary for Transport).

Executive Directorate

The members of the Executive Directorate who served during the year were Jack So Chak-kwong (Chairman and Chief Executive), a member of the Board of Directors, and Russell John Black, William Chan Fu-keung, Philip Gaffney, Thomas Ho Hang-kwong, Clement Kwok King-man and Leonard Bryan Turk. On 31 January 2002 Clement Kwok King-man resigned as Finance Director, and, on 1 February 2002, Lincoln Leong Kwok-kuen was appointed as the new Finance Director.

Biographical details for members of the Executive Directorate during the year are set out on page 12.

Corporate Governance

The Company is committed to high standards of corporate governance.

The management of the Company's business is vested in the Board of Directors. Pursuant to the Company's Articles of Association and the protocol adopted by the Board of Directors, the Board of Directors has delegated the day-to-day management of the Company's business to the Executive Directorate but the Board of Directors has reserved to itself certain powers, such as the approval of the Company's financial statements, dividends, significant changes in accounting policy, its annual operating budget, certain material contracts, certain financing arrangements and major investments, risk management strategy, treasury policies and fare structures.

The Board of Directors meets regularly and members of the Board receive information between meetings about developments in the Company's business. All members of the Board of Directors have full and timely access to the relevant information and may take independent professional advice if necessary. As an integral part of good corporate governance the following committees have been set up:

Audit Committee

The Audit Committee has a majority of its members appointed from the independent non-executive Directors. It meets four times each year to review the completeness, accuracy and fairness of the financial statements of the Company and to consider the nature and scope of internal and external audit reviews as well as the effectiveness of the systems of internal control. Internal control systems have been designed to allow the Board of Directors to monitor the Group's overall financial position and to protect its assets. The purpose is to assure against material financial misstatement or loss. The Board of Directors is responsible for these systems, and appropriate authorisations and guidelines are in place. The Audit Committee Chairman also prepares an annual report to the Board of Directors covering its activities for the year and highlighting issues which the Chairman deems significant. There were four meetings of the Audit Committee in 2001. The members of the Audit Committee during the year comprised David Wylie Cairns (chairman), Cheung Yau-kai and the Commissioner for Transport (Robert Charles Law Footman), all of whom are non-executive Directors.

Remuneration Committee

The Remuneration Committee meets regularly to consider human resources issues, including the terms and conditions of employment, remuneration, and retirement benefits of the Chairman and Chief Executive and members of the Executive Directorate. The members of the Remuneration Committee during the year comprised Raymond Ch'ien Kuo-fung (chairman), Edward Ho Sing-tin and Denise Yue Chung-yee, all of whom are non-executive Directors.

Nominations Committee

The Nominations Committee carries out the process of recommending and nominating candidates to fill vacancies on the Board of Directors. A person may be appointed as a member of the Board of Directors at any time either by the shareholders in general meeting or by

the Board of Directors upon the recommendation of the Nominations Committee. Directors who are appointed by the Board of Directors must retire at the first annual general meeting after their appointment. In either case, the Directors so elected and appointed are eligible for re-election and re-appointment. At each annual general meeting of the Company, one third of the Directors (or such number as is nearest to and less than one third) are required to retire from office by rotation (excluding the Directors appointed by the Chief Executive of Hong Kong SAR under the MTR Ordinance). The members of the Nominations Committee are David Gordon Eldon (chairman), Lo Chung-hing and the Secretary for Transport (Nicholas Ng Wing-fui), all of whom are non-executive Directors.

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKSE"), except that non-executive Directors of the Company are not appointed for a specific term but are subject (save for those appointed pursuant to Section 8 of the MTR Ordinance) to retirement by rotation and re-election at the Company's annual general meetings in accordance with Articles 87 and 88 of the Company's Articles of Association.

The Company received the Diamond Award in the Public Sector Category in 2000 and the Special Mention Honour in the Hang Seng Index Category in 2001 for Best Corporate Governance Disclosure from the Hong Kong Society of Accountants.

Internal Audit

The Company's Internal Audit Department plays a major role, in support of and in collaboration with, the Company's management, in monitoring the internal governance of the Company. Key tasks of the Department include:

- Unrestricted access to review all aspects of the Company's activities and internal controls;
- Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries on a regular basis;
- Conduct of special reviews and/or investigations and reports both on a regular and as-needed basis.

The Company's Internal Auditor reports directly to the Chairman and has direct access to the Audit Committee.

Ethical Culture

The Board of Directors has adopted a Code of Conduct to be followed by all staff in dealing with colleagues, customers, clients, suppliers, contractors and consultants. Such Code of Conduct is designed to create a culture of ingrained set of values and beliefs for staff and involves a common understanding of what is right and wrong in the course of business dealings and outlines the methods of resolving ethical problems encountered in the workplace.

Policies

The Board has adopted risk strategies on the following matters:

- A Construction and insurance;
- B Finance;
- C Treasury risk management;
- D Safety risk management;
- E Security management;
- F Environmental management.

No changes to such policies may be made without the approval of the Board of Directors.

Summary Financial Statements

The state of affairs of the Group as at 31 December 2001 and of its results for the year are set out in the summary financial statements on pages 18 to 23.

Ten-Year Statistics

A summary of the results and of the assets and liabilities of the Group together with some major operational statistics for the last ten years are set out on pages 10 and 11.

Fixed Assets and Railway Construction in Progress

Movements in fixed assets and railway construction in progress during the year are set out in Note 4 to the summary financial statements.

Movements in Reserves

Movements in reserves during the year are set out in Note 6 to the summary financial statements.

Share Capital

As at 31 December 2000, the authorised share capital of the Company was HK\$6.5 billion, divided into 6.5 billion Ordinary Shares, 5 billion of which were issued and credited as fully paid. During the year, the Company issued a total of 55,229,742 Ordinary Shares. Of this number:

- A 2,098,000 Ordinary Shares were issued by the Company pursuant to the exercise of share options which had been granted under the Company's Pre-Global offering Share Option Scheme. In respect of each Ordinary Share issued, the relevant exercising share option holder paid HK\$8.44 to the Company;
- B 18,235,023 Ordinary Shares were issued by the Company in order to satisfy shareholders' scrip dividend elections in respect of the final dividend of the Company for the year ended 31 December 2000 (for which the cash dividend was HK\$0.10 per Ordinary Share); and
- C 34,896,719 Ordinary Shares were issued by the Company in order to satisfy shareholders' scrip dividend elections in respect of the interim dividend of the Company for the six months ended 30 June 2001 (for which the cash dividend was HK\$0.14 per Ordinary Share).

As at 31 December 2001, the authorised share capital of the Company was HK\$6.5 billion, divided into 6.5 billion Ordinary Shares, 5,055,229,742 of which were issued and credited as fully paid.

Redemption of Listed Securities

There was no purchase, sale or redemption of the Company's or any of its subsidiaries' debt securities listed on the stock exchanges during the year.

Donations

During the year, a total of HK\$278,300 was donated, of which HK\$275,800 went to the Community Chest of Hong Kong.

Internal Controls

The Board of Directors is responsible for ensuring that there is in place a satisfactory system of internal controls. The main objectives are to ensure adherence to the Company's control policies so that the Company's assets are safeguarded and that the financial records are complete and accurate.

A function of the Audit Committee is to review the effectiveness of the system of internal controls from information provided by the Executive Directorate and management of the Company and by the auditors.

Reporting and Monitoring

There is a comprehensive budgeting system for all operational and business activities, with an annual budget approved by the Board of Directors. Monthly results of the Company's operations, businesses and projects are reported against the budget to the Board of Directors and updated forecasts for the year are prepared regularly.

Treasury Management

The Company's Treasury Department operates within approved guidelines from the Board. It manages the Company's debt profile according to the Preferred Financing Model which defines the preferred mix of financing instruments, fixed and floating rate debt, maturities, interest rate risks, currency exposure and financing horizon. The model is reviewed and refined periodically to reflect changes in the Company's financing requirements and market environment. Derivative financial instruments such as interest rate swaps and currency swaps are used only as hedging tools to manage the Group's interest rate and currency risks. Prudent guidelines and procedures are in place to control the Company's derivatives activities, including a comprehensive credit risk management system for monitoring counterparty credit exposure using the Value-at-Risk approach. There is also appropriate segregation of duties within the Company's Treasury Department.

Major financing transactions and guidelines for derivatives transactions including credit risk management framework are approved at the Board level.

Capital and Revenue Expenditure

There are defined procedures for the appraisal, review and approval of major capital and revenue expenditures. All project expenditure over 0.2% of the net assets of the Company and the employment of consultancy services over 0.1% of the net assets of the Company require the approval of the Board.

Bonds and Notes Issued

The Group issued bonds and notes during the year ended 31 December 2001, details of which are set out in Note 5 to the summary financial statements. Such bonds and notes were issued in order to meet the Group's general corporate funding requirements, including the financing of new capital expenditure and the refinancing of maturing debts.

Electronic Data

There are defined procedures and regular quality reviews on the operation of computer systems to ensure the accuracy and completeness of financial records and efficiency of data processing.

Interests in Contracts of Members of the Board and the Executive Directorate

Save for one loan made by the Company to a member of the Executive Directorate, details of which are set out in Note 2B to the summary financial statements, and the deed of indemnity, details of which are set out in the section below headed "Transactions in connection with the Privatisation Share Offer of the Company", no contracts of significance, to which the Company or any of its subsidiaries was a party and in which a member of the Board or a member of the Executive Directorate had a material interest, subsisted at the end of the year or at any time during the year.

Board Members and Executive Directorate's Interests in Shares

At 31 December 2001, the interests of the members of the Board of Directors and the Executive Directorate in the equity securities of the Company as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI") or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary Shares

Member of the Board of Directors or Executive Directorate	Number of Ordinary Shares
Jack So Chak-kwong	46,142
Russell John Black	23,142
William Chan Fu-keung	23,100
Philip Gaffney	23,677
Thomas Ho Hang-kwong	26,284
Leonard Bryan Turk	25,256
Clement Kwok King-man	27,284

Options to subscribe for Ordinary Shares granted under the Share Option Scheme, as referred to in Note 2C to the summary financial statements

Member of Board of Directors or Executive Directorate	Date granted	Options held at 1 January 2001	Period during which rights exercisable (day/month/year)	Options vested during the year	Options exercised during the year	Price per share paid on exercise of options	Options outstanding at 31 December 2001	Weighted average closing price of share immediately before options were exercised
Jack So Chak-kwong	20/9/2000	1,599,000	5/4/01-11/9/10	533,000	-	-	1,599,000	-
Russell John Black	20/9/2000	1,066,000	5/4/01-11/9/10	355,500	21,000	HK\$8.44	1,045,000	HK\$10.50
William Chan Fu-keung	20/9/2000	1,066,000	5/4/01-11/9/10	355,500	21,000	HK\$8.44	1,045,000	HK\$10.10
Philip Gaffney	20/9/2000	1,066,000	5/4/01-11/9/10	355,500	21,000	HK\$8.44	1,045,000	HK\$10.10
Thomas Ho Hang-kwong	20/9/2000	1,066,000	5/4/01-11/9/10	355,500	22,000	HK\$8.44	1,044,000	HK\$10.15
Leonard Bryan Turk	20/9/2000	1,066,000	5/4/01-11/9/10	355,500	21,000	HK\$8.44	1,045,000	HK\$10.50
Clement Kwok King-man	20/9/2000	1,066,000	5/4/01-11/9/10	355,500	273,000	HK\$8.44	793,000	HK\$10.07

Save as disclosed above:

A there were no interests held as at 31 December 2001 by any members of the Board of Directors or Executive Directorate of the Company in securities of the Company and its associated corporations (within the meaning of the SDI); and

B during the year ended 31 December 2001, no member of the Board of Directors or Executive Directorate nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them,

as recorded in the register kept by the Company under section 29 of the SDI or otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

Substantial Shareholders' Interests

Set out below is the name of the party which was interested in 10 per cent or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which it was interested as at 31 December 2001 as recorded in the register kept by the Company under Section 16(1) of the SDI:

Name	No. of Ordinary Shares
Financial Secretary Incorporated (in trust on behalf of the Government)	3,869,799,423

Major Suppliers and Customers

Less than 30% in value of supplies (which were not of a capital nature) purchased during the year ended 31 December 2001 was attributable to the Company's five largest suppliers. Less than 30% in value of the Company's turnover during the year ended 31 December 2001 was attributable to the Company's five largest customers combined by value.

Going Concern

The summary financial statements on pages 18 to 23 have been prepared on a going concern basis. The Board of Directors has reviewed the Company's budget for 2002, together with the longer-term forecast for the following five years and is satisfied that the Company has sufficient resources to continue as a going concern for the foreseeable future.

By order of the Board

Leonard B. Turk
Secretary to the Board
Hong Kong, 28 February 2002

Consolidated profit and loss account

for the year ended 31 December in HK\$ million	2001	2000 (Note 1)
Fare revenue		
– MTR Lines	5,164	5,166
– Airport Express Line	564	549
Station commercial and other revenue	973	995
Rental and management income	891	867
Turnover	7,592	7,577
Staff costs and related expenses	(1,641)	(1,688)
Energy and utilities	(501)	(500)
Operational rent and rates	(78)	(65)
Stores and spares consumed	(119)	(127)
Repairs and maintenance	(437)	(456)
Railway support services	(110)	(109)
Expenses relating to station commercial and other businesses	(197)	(185)
Property ownership and management expenses	(159)	(142)
General and administration expenses	(179)	(227)
Other expenses	(112)	(164)
Operating expenses before depreciation	(3,533)	(3,663)
Operating profit from railway and related operations before depreciation	4,059	3,914
Profit on property developments	3,248	3,376
Operating profit before depreciation	7,307	7,290
Depreciation	(2,178)	(2,091)
Operating profit before interest and finance charges	5,129	5,199
Interest and finance charges:		
– Interest expense	(896)	(1,209)
– Interest income	22	66
	(874)	(1,143)
Share of profit of non-controlled subsidiary	29	13
Profit for the year attributable to shareholders	4,284	4,069
Dividends		
– Interim dividend declared and paid during the year	703	–
– Final dividend proposed after the balance sheet date	1,415	500
	2,118	500
Earnings per share:		
– Basic	HK\$0.85	HK\$0.81
– Diluted	HK\$0.85	HK\$0.81

The notes on pages 20 to 23 form part of these summary financial statements.

Consolidated balance sheet

at 31 December in HK\$ million	2001	2000 (Note 1)
Assets		
Fixed assets		
– Investment properties	10,363	10,151
– Other property, plant and equipment	68,880	68,324
	79,243	78,475
Railway construction in progress	12,873	9,194
Property development in progress	3,361	2,699
Deferred expenditure	326	187
Interest in non-controlled subsidiary	51	26
Staff housing loans	127	635
Properties held for sale	689	–
Stores and spares	261	275
Debtors, deposits and payments in advance	830	676
Amounts due from the Government and other related parties	152	224
Cash at banks and in hand	215	174
	98,128	92,565
Liabilities		
Bank overdrafts	49	44
Short-term loans	394	887
Creditors, accrued charges and provisions	3,006	3,289
Contract retentions	798	817
Amounts due to the Government and other related parties	401	422
Loans and obligations under finance leases	30,942	26,272
Deferred liabilities	78	76
Deferred income	8,411	10,403
	44,079	42,210
Net assets	54,049	50,355
Shareholders' funds		
Share capital, share premium and capital reserve	32,807	32,188
Other reserves	21,242	18,167
	54,049	50,355

Approved and authorised for issue by the Members of the Board on 28 February 2002

Jack So Chak-kwong
Lo Chung-hing
Lincoln Leong Kwok-kuen

The notes on pages 20 to 23 form part of these summary financial statements.

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.

Auditors' statement on the summary financial report

To the shareholders of MTR Corporation Limited
(Incorporated in Hong Kong with limited liability)

We have examined the summary financial report of MTR Corporation Limited for the year ended 31 December 2001 set out on pages 1 to 23 and the front and back cover pages.

Respective responsibilities of directors and auditors

Under the Hong Kong Companies Ordinance, the directors are responsible for preparing the summary financial report. In preparing the summary financial report, section 141CF of the Hong Kong Companies Ordinance requires the summary financial report be derived from the annual accounts and directors' report for the year ended 31 December 2001, in such form and contain such information and particulars as specified in section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and approved by the board of directors.

It is our responsibility to form an independent opinion on the summary financial report, based on our examination, and to report our opinion to you. We are also required to state whether the auditors' report on the annual accounts for the year ended 31 December 2001 is modified, and if it is, to state that the auditors' report on the annual accounts for the year ended 31 December 2001 and any further material necessary for the understanding of the modification have been included in the summary financial report.

Basis of opinion

We conducted our engagement in accordance with Standards on Assurance Engagements and with reference to the Exposure Draft on Practice Note 710 "The auditors' statement on the summary financial report" issued by the Hong Kong Society of Accountants. Our examination includes examining evidence supporting the consistency of the summary financial report with the annual accounts and directors' report for the year ended 31 December 2001 and the compliance of the summary financial report with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Opinion

Based on the foregoing, in our opinion the summary financial report is consistent with the annual accounts and directors' report of MTR Corporation Limited for the year ended 31 December 2001 and complies with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation.

We have audited the annual accounts of MTR Corporation Limited for the year ended 31 December 2001 and have issued an unqualified auditors' report thereon dated 28 February 2002.

KPMG
Certified Public Accountants
Hong Kong, 28 February 2002

Key shareholder information

Financial calendar 2002

Announcement of 2001 results	28 February
Last day to register for 2001 final dividend	25 March
Book closure period	26 March to 8 April
Annual General Meeting	16 May
2001 final dividend payment date	14 June
Announcement of 2002 interim results	August
2002 interim dividend payment date	October
Financial year end	31 December

Registered office

MTR Corporation Limited
MTR Tower, Telford Plaza, Kowloon Bay, Hong Kong
Telephone: (852) 2993 2111 Facsimile: (852) 2798 8822

Website

<http://www.mtr.com.hk>

Share information

Listing

MTR Corporation Limited's shares are listed on The Stock Exchange of Hong Kong. In addition, shares are traded in the USA through an American Depository Receipt (ADR) Level 1 Programme sponsored by Morgan Guaranty Trust Company. They are also quoted on the London SEAQ International System.

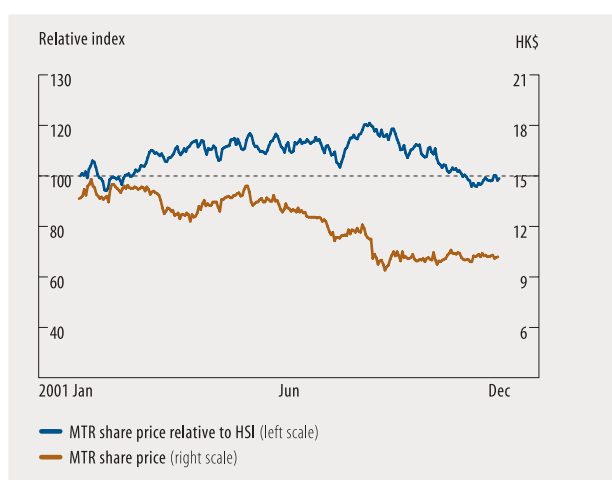
Ordinary shares (as at 31 December 2001)

Shares outstanding: 5,055,229,742 shares
Hong Kong SAR Government shareholding : 3,869,799,423 shares (76.55%)
Free floa : 1,185,430,319 shares (23.45%)

Nominal value HK\$1 per share

Market capitalisation (as at 31 December 2001) HK\$51.563 billion

Share price performance



Dividend policy

Subject to the financial performance of the Company, we expect to pay two dividends each financial year with interim and final dividends payable in October and June respectively, with the interim dividend representing approximately one third of the total dividend to be paid for the entire year.

Dividend per share (in HK\$)

2000 Final Dividend	0.10*
2001 Interim Dividend	0.14
2001 Final Dividend	0.28

ADR Level 1 Programme

Ordinary share to ADR ratio	10:1
Depository Bank	Morgan Guaranty Trust Co. 60 Wall Street, New York NY 10260-0060, USA

Index constituent

MTR Corporation Limited is a constituent of the following indices:

Hang Seng Index
Hang Seng Hong Kong Composite Index
Hang Seng London Reference Index
MSCI Index Series
FTSE All-World Hong Kong Index

Stock codes

Ordinary Shares

Hong Kong Stock Exchange	66
Reuters	0066.HK
Bloomberg	66 HK
CUSIP Reference Number	Y5896Y104

ADR Level 1 Programme MTRUY

SEAQ International

Reuters	0066q.L
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Annual Report 2001

Our annual report is available in both English and Chinese. Shareholders can obtain copies by writing to:

Central Registration Hong Kong Limited
Rm 1901-1905, Hopewell Centre, 188 Queen's Road East, Hong Kong

If you are not a shareholder, please write to:

Corporate Relations Department, MTR Corporation Limited
MTR Tower, Telford Plaza, Kowloon Bay, Hong Kong

Our full and summary annual/interim reports and accounts are also available online at our corporate website at <http://www.mtr.com.hk>

Shareholder services

Any matters relating to your shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar:

Central Registration Hong Kong Limited
Rm 1901-1905, Hopewell Centre, 183 Queen's Road East, Hong Kong
Telephone: (852) 2862 8628 Facsimile: (852) 2529 6087

Shareholder enquiries

Our enquiry hotline is operational during normal office hours:
Telephone: (852) 2881 8888

Investor relations

For enquiries from institutional investors and research analysts, please contact:
Corporate Finance Department, MTR Corporation Limited
MTR Tower, Telford Plaza, Kowloon Bay, Hong Kong
Telephone: (852) 2993 3811 Facsimile: (852) 2993 7696
Email: investor@mtr.com.hk

* Represented dividends for approximately three months during which the Company's shares were listed in 2000.



地鐵公司
MTR Corporation

MTR Corporation Limited
MTR Tower, Telford Plaza
Kowloon Bay, Hong Kong
GPO Box 9916, Hong Kong
Telephone (852) 2993 2111
Facsimile (852) 2798 8822

www.mtr.com.hk