

Corporate governance and other information

Code of Best Practice

The Company has complied throughout the half-year ended 30 June 2003 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 Mass Transit Railway 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. Dr. Raymond Ch'ien Kuo-fung, the Chairman was appointed for a term of 3 years with effect from 21 July 2003.

Audit Committee

The Audit Committee meets four times each year to review the completeness, accuracy and fairness of the Group's financial statements and to consider the nature and scope of internal and external audit reviews. It also assesses the effectiveness of the systems of internal control. All the members of the Audit Committee are non-executive Directors, namely T Brian Stevenson (chairman), Cheung Yau-kai and the Commissioner for Transport (Robert Charles Law Footman), two of whom are independent 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. All the members of the Remuneration Committee are non-executive Directors, namely Raymond Ch'ien Kuo-fung (chairman), Edward Ho Sing-tin and Frederick Ma Si-hang, two of whom are independent 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. All the members of the Nominations Committee are non-executive Directors, namely David Gordon Eldon (chairman), Lo Chung-hing and the Secretary for the Environment, Transport and Works (Dr. Sarah Liao Sau-tung), two of whom are independent non-executive Directors.

Board Members' and Executive Directorate's Interests in Shares

As at 30 June 2003, the interests or short positions of the members of the Board of Directors and the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies were as follows:

Ordinary Shares

Member of the Board of Directors or Executive Directorate	Number of Ordinary Shares			Percentage of aggregate interests to total issued share capital
	Personal* interests	Family† interests	Total interests	
Jack So Chak-kwong‡	80,433	–	80,433	0.0015
T Brian Stevenson	4,232	–	4,232	0.0001
Philip Gaffney	46,433	606	47,039	0.0009
Russell John Black	48,688	–	48,688	0.0009
William Chan Fu-keung	46,233	–	46,233	0.0009
Thomas Ho Hang-kwong	49,760	2,433	52,193	0.0010
Leonard Bryan Turk	48,024	2,403	50,427	0.0010

Bond

Member of the Executive Directorate	Personal interests*
William Chan Fu-keung	HK\$101,010 MTR 201 3.75 per cent. Notes due 2004 HK\$50,740 MTR 301 4.50 per cent. Notes due 2005

* Beneficial owner

† Interests of spouse or child under 18

‡ Please refer to page 10

Options to subscribe for Ordinary Shares granted under the Pre-Global Offering Share Option Scheme

Member of Board of Directors or Executive Directorate	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2003	Options vested during the period	Options lapsed during the period	Options exercised during the period	Price per share paid on exercise of options	Options outstanding as at 30 June 2003	Weighted average closing price of shares immediately before the date(s) on which options were exercised
Jack So Chak-kwong [†]	20/9/2000	1,599,000	5/4/01–11/9/10	1,599,000	–	–	–	–	1,599,000	–
Philip Gaffney	20/9/2000	1,066,000	5/4/01–11/9/10	1,022,000	–	–	–	–	1,022,000	–
Russell John Black	20/9/2000	1,066,000	5/4/01–11/9/10	1,022,000	–	–	–	–	1,022,000	–
William Chan Fu-keung	20/9/2000	1,066,000	5/4/01–11/9/10	1,022,000	–	–	–	–	1,022,000	–
Thomas Ho Hang-kwong	20/9/2000	1,066,000	5/4/01–11/9/10	1,021,000	–	–	–	–	1,021,000	–
Leonard Bryan Turk	20/9/2000	1,066,000	5/4/01–11/9/10	1,022,500	–	–	–	–	1,022,500	–
Other eligible employees	20/9/2000	40,343,000	5/4/01–11/9/10	30,055,000	417,000	886,500	1,786,500	\$8.44	27,382,000	\$9.24

[†] Please refer to page 10

The above Members of the Board and the Executive Directorate held the above share options as beneficial owners.

The proportion of underlying shares in respect of which the above share options have vested or will vest is as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before 5 October 2001	None
5 October 2001 to 4 October 2002	One-third
5 October 2002 to 4 October 2003	Two-thirds
After 4 October 2003	All

None of the share options was cancelled during the period. The exercise price of the above share options is HK\$8.44 per share. A nominal amount of HK\$1, being the consideration for the option granted will be payable by eligible employees to the Company on demand.

Save as disclosed above:

A none of the members of the Board of Directors or Executive Directorate of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and

B during the six months ended 30 June 2003, 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 352 of the SFO or otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Substantial Shareholders' Interests

Set out below is the name of the party which was interested in 5 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 30 June 2003 as recorded in the register kept by the Company under section 336 of the SFO:

Name	No. of Ordinary Shares	Percentage of Ordinary Shares to total issued share capital
Financial Secretary Incorporated (in trust on behalf of the Government)	4,003,051,873	76.36

Loan Agreements with Covenant Relating to Specific Performance of the Controlling Shareholder

As at 30 June 2003, the Group had borrowings of HK\$31,929 million with maturities ranging from 2003 to 2018 and undrawn committed and uncommitted banking and other facilities of HK\$17,664 million, which were subject to the Government, being the Company's controlling shareholder, to own more than half in nominal value of the voting share of the Company during the lives of the borrowings and the undrawn facilities. Otherwise, immediate repayment of borrowings may be demanded and cancellation of undrawn facilities may result.

Purchase, Sale or Redemption of Own Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during six months ended 30 June 2003.

Closure of Register of Members

The Register of Members of the Company will be closed from 28 August to 3 September 2003 (both dates inclusive), during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 27 August 2003. The 2003 interim dividend is expected to be paid on or about 29 October 2003 to shareholders whose names appear on the Register of Members of the Company on 3 September 2003.