



# Contents

01	Key figures
02	Milestones 2004
03	Chairman's letter
05	CEO's review of operations and outlook
12	Corporate governance and other information
15	Operating network with future extensions
16	Consolidated profit and loss account
17	Consolidated balance sheet
18	Consolidated statement of changes in equity
19	Consolidated cash flow statement
20	Notes to the unaudited interim financial report
28	Independent review report
	Key shareholder information

## Vision

To be a world class enterprise, growing in Hong Kong and beyond, focusing on rail, property and related businesses

## Mission

- Provide excellent value to our Customers, enhancing their quality of life, and contributing to development of the communities in which we operate
- Provide opportunities for employees to grow and prosper with the company and reward our investors
- Develop the rail network as the backbone of public transport in Hong Kong
- Grow in Mainland China and capture opportunities in Europe by building on our core competencies

## Key figures

<b>Financial highlights</b> <i>in HK\$ million</i>	<b>Half-year ended 30 June 2004</b>	Half-year ended 30 June 2003	% Increase/ (Decrease)
Revenue			
– Fare	<b>2,871</b>	2,567	11.8
– Non-fare	<b>1,116</b>	1,000	11.6
Operating profit from railway and related operations before depreciation	<b>2,218</b>	1,816	22.1
Profit on property developments	<b>1,153</b>	678	70.1
Operating profit before depreciation	<b>3,371</b>	2,494	35.2
Profit attributable to shareholders	<b>1,175</b>	113	939.8
Total assets	<b>101,560</b>	102,366*	(0.8)
Loans, obligations under finance leases and bank overdrafts	<b>31,736</b>	32,025*	(0.9)
Shareholders' funds	<b>57,778</b>	57,292*	0.8
<b>Financial ratios</b> <i>in %</i>			
Operating margin	<b>55.6</b>	50.9	4.7% pt.
Gross debt-to-equity ratio	<b>54.9</b>	55.9*	(1.0)% pt.
Interest cover <i>in times</i>	<b>4.4</b>	2.8	57.1
<b>Share information</b>			
Basic earnings per share <i>in HK\$</i>	<b>0.22</b>	0.02	1,000.0
Dividend per share <i>in HK\$</i>	<b>0.14</b>	0.14	–
Share price at 30 June <i>in HK\$</i>	<b>11.80</b>	8.95	31.8
Market capitalisation at 30 June <i>in HK\$ million</i>	<b>63,211</b>	46,921	34.7
<b>Operations highlights</b>			
Total passenger boardings			
– MTR Lines <i>in millions</i>	<b>403.6</b>	360.2	12.0
– Airport Express Line <i>in thousands</i>	<b>3,835</b>	2,894	32.5
Average number of passengers <i>in thousands</i>			
– MTR Lines <i>weekday</i>	<b>2,354</b>	2,145	9.7
– Airport Express Line <i>daily</i>	<b>21.1</b>	16.0	31.9
Fare revenue per passenger <i>in HK\$</i>			
– MTR Lines	<b>6.50</b>	6.64	(2.1)
– Airport Express Line	<b>64.15</b>	60.94	5.3
Proportion of franchised public transport boardings <i>in %</i>			
– All movements	<b>24.6</b>	23.9	0.7% pt.
– Cross-harbour	<b>59.3</b>	58.2	1.1% pt.
Proportion of transport boardings travelling to/from the airport <i>in %</i>			
– Airport Express Line	<b>24</b>	23	1% pt.

\* Figures are as at 31 December 2003

# Milestones 2004



## JANUARY

- The Secretary for Environment, Transport and Works presented commendation letters to MTR staff in recognition of their handling of the arson case on board an MTR train.
- The Group successfully launched a US\$600 million 10-year Eurobond with near four times subscription.
- 01** → The Company entered into an Agreement in Principle for a Build-Operate-Transfer project with the Shenzhen Municipal People's Government for Phase 2 of Line 4 and to operate Phase 1 of Line 4 of the proposed Shenzhen Metro System.

## FEBRUARY

- 02** → A Ground Breaking Ceremony marked the official commencement of construction works at the Tung Chung Cable Car.
- The Government announced its decision to invite the Company and KCRC to commence discussions on a possible merger.
- The Company won several awards:
  - Review 200: Asia's Leading Companies – Hong Kong's Top Ten Companies from the Far Eastern Economic Review.
  - Caring Company Award 2003/04 from the Hong Kong Council of Social Service.
  - 2003 Eco-Business Gold Award for "Best Environmental Reporting" from Hong Kong Environmental Campaign Committee.

## MARCH

- The Company submitted to Government a revised proposal for the new West Island Line and South Island Line to provide service to the western and southern parts of Hong Kong Island.

## APRIL

- 03** → A new 60-metre long interchange subway linking the MTR and KCRC networks at Kowloon Tong was opened.

- The Company entered into a Memorandum of Understanding with Beijing Infrastructure Investment Company Limited and Beijing Capital Group to form a joint venture for the construction and operation of the Beijing Metro Line 4 project, to help prepare for the 2008 Olympic Games.

- The Company together with KCRC offered an interchange discount for Octopus cardholders transferring between MTR and KCRC's West Rail at Nam Cheong and Mei Foo stations.

- The MTR 25th Anniversary Theme Train was launched and featured by the TVB HK Superbrand programme in April, marking the kick off of our 25th Anniversary promotion series.

## MAY

- 04** → Six mules from Canada arrived in Hong Kong to carry materials for the construction of the Tung Chung Cable Car project in the country park.

- The Company's Sustainability Report 2002 was named the first "Best Sustainability Report in Hong Kong" by ACCA in recognition of its outstanding reporting and commitment to corporate accountability and transparency.

## JUNE

- The Company awarded a contract to Rotem Company for the purchase of four new 8-car trains for the Tung Chung Line to meet increasing demand.

- MTR won the Top Service Award 2004 – Public Transport presented by *Next Magazine*, for the sixth consecutive year.

- Renovation work of the retail zone with six new shops at Choi Hung Station was completed.

- Bank of America committed to lease office space in Two International Finance Centre, bringing the occupancy rate of MTR's floors to 85%.

- The Company won the "Most Innovative Award" for Excellence in Training 2004, from Hong Kong Management Association.

## Chairman's letter

Dear Stakeholders,

It is my good fortune to present MTR Corporation's (MTR) interim results for the first half of 2004, the 25th Anniversary of the commencement of MTR's rail services in Hong Kong.

During the period, the Company recorded net profit of HK\$1,175 million, a marked increase over last year. Earnings per share rose significantly to HK\$0.22. The rise in profit was due mainly to the strong economic recovery post SARS, which drove traffic based revenue higher, and stronger development profits, mostly from deferred income.

The most significant development during the period was Government's announcement on 24 February that it had asked the Company to begin discussions with the Kowloon-Canton Railway Corporation (KCRC) on a possible merger between the two companies. Since the announcement, the two companies have formed dedicated committees and working groups to move the discussions forward. These committees and working bodies are responsible for reviewing the financial, legal and technical aspects of a possible merger, as well as undertaking a comprehensive review of an integrated rail network in Hong Kong. I am pleased to report that significant progress has been made in these discussions, and we are on track to meet the 31 August deadline to submit a proposal to Government according to the parameters as set out by Government.

We firmly believe that the merger, if properly structured and implemented on acceptable terms, would be beneficial to all stakeholders, including our investors, our passengers, our employees and the overall Hong Kong rail transport system. We will continue to work closely with Government and KCRC to negotiate and implement this very complex transaction as expeditiously as possible, always with the interest of all shareholders and stakeholders as a priority.

After the submission of our proposal by the end of August, we expect there will be further discussions and negotiations which, if successful, will result in a legislative process, before any final proposal is put to the MTR's independent shareholders for approval. Throughout this process, we have and will continue to keep our shareholders and staff informed of progress and any significant developments which might affect their interests.

We are at the crossroads of challenging and exciting opportunities, but also uncertainty and risk. Regardless of the outcome of the merger discussions with KCRC, it is important that the Company continues to look to the future and forge ahead with clarity of vision and purpose. Going forward, we must continue to serve the citizens of Hong Kong to the same high standards expected of MTR. At the same time, we must broaden our horizon by reaching out beyond Hong Kong to build a sustainable, wider revenue base to underpin our future growth.

Our strategy is one that is grounded in our home base in Hong Kong whilst leveraging our brand name and core competencies to pursue opportunities overseas, with the Mainland and Europe as priorities. I am confident that this strategy will not only fulfill our responsibility to our shareholders, but also offer exciting growth opportunities and prospects for our staff.

To guide us into the future, we have revisited and formulated a clear Vision and Mission. At the same time, we have revised our Core Values, to help us build our future organisation and culture. These new Vision, Mission and Core Values, which are built on statements of intent and values that have guided us in the past, will now guide us as we face the new realities of increased competition and expansion overseas in the future.

Our 25 years of outstanding operating history in Hong Kong is the result of a great team at MTR who are talented and committed, bound together by their passion for what they do and a strong desire to serve the community. With the new Vision, Mission and Core Values, I have no doubt the MTR team will continue to scale greater heights and create an even more promising future.

At the end of March 2004, in response to Government request, we submitted a project proposal for the West Island Line and South Island Line. The proposal is now under Government study. The project is a natural extension of our existing network and if approved would provide a fast and reliable mode of transport between the Southern and Western districts and the north shore of Hong Kong Island. In addition to environmental benefits derived from less traffic congestion and pollution, the extension would bring substantial economic benefits by rejuvenating the older Western districts thereby benefiting both living standards and property prices. The extension would also generate employment and provide opportunities for tourism and commercial development.

I am excited about our prospects in Mainland China, where we are well on our way towards investing in our first ever railway project in Shenzhen after signing the Agreement in Principle with the Shenzhen Municipal People's Government on the Line 4 project in January this year. Negotiation of the concession and operating agreements for the project is continuing, with initial design and preparation for railway construction and related property development well underway. However, given the current investment climate in the Mainland, it is possible that the approval process may take longer than expected. In April, we signed a Memorandum of Understanding with Beijing Infrastructure Investment Company Limited and Beijing Capital Group for a possible investment in the Beijing Line 4 project, and are hopeful that current negotiations with the parties will eventually lead to our participation in this key investment project for the 2008 Olympic Games in Beijing.

With the possible merger and investments overseas, these are exciting times for the Company. I would like to take this opportunity to thank our fellow directors, the senior management and all employees of the Company for their dedication and hard work, and ask for their continued support as we embark on the process to build a bigger and even better company.



Dr. Raymond Ch'ien Kuo-fung, *Chairman*  
Hong Kong, 3 August 2004

## CEO's review of operations and outlook

Dear Stakeholders,

MTR Corporation's results for the first six months of 2004 showed a recovery from the lows experienced in the comparable period of 2003, when the combination of a weak economy, soft property prices and the outbreak of SARS severely affected Hong Kong and impacted the Company's core businesses.

As a result of the improved economic environment, the Company's revenues for the six months ended 30 June 2004 increased 11.8% to HK\$3,987 million as compared with the same period of 2003. Net profit increased significantly to HK\$1,175 million. Earnings per share were HK\$0.22 for the first six months of 2004, as compared with HK\$0.02 over the same period of 2003. Your Board of Directors has declared an Interim Dividend of HK\$0.14 per share, unchanged from the Interim Dividend paid last year.

### Railway operations

For the first six months of 2004, the MTR Lines recorded total patronage of 403.6 million, a 12% increase over the first half of last year.

The Company's overall share of total franchised public transport rose slightly to 24.6% from 23.9% in the comparable period of 2003. Share of cross-harbour trips increased from 58.2% to 59.3%. The performance of the Tseung Kwan O Line was better than forecast and this helped offset the lower than expected increase in patronage interchanging from the KCRC's West Rail.

With the recovery of passenger arrivals and departures at Hong Kong International Airport, the Airport Express Line (AEL) experienced strong recovery, leading to total passenger numbers rising 32.5%, as compared to the first half of 2003 to an average of 21.1 thousand per day. In order to accommodate the increase in passengers, we increased the frequency of services on AEL from every 15 minutes to every 12 minutes in March.

MTR continued to meet or exceed both the Government's requirements under the Operating Agreement and the Company's own more stringent Customer Service Pledges.

The Company's marketing and promotional programmes continued to support recovery in patronage. The popular "Ride 10 get 1 Free" scheme was further extended to 3 October this year, while during Chinese New Year and Easter holidays, as well as over the summer months, senior citizens and children enjoyed the HK\$2 promotion programme on Sundays and public holidays. In addition, our MTR Club has continued with a bonus point scheme to encourage and reward our frequent passengers.

To commemorate the Company's 25th year of operations, a number of initiatives were launched, including new TV commercials, Theme Train, a feature in the TVB Hong Kong Superbrand programme, as well as a special section on the Company's website. For AEL, we continued our partnership with the Asia Miles frequent flyer programme, and with the Hong Kong Tourism Board to market the Airport Express service to inbound air travellers. In addition, we began accepting renminbi credit cards at all our AEL stations in May this year to further improve our service to Mainland visitors.

Promotions designed to achieve greater integration between MTR and other transport providers continued, with two more Green Minibus routes offering intermodal discounts, as well as the extension of the taxi interchange programme for AEL.

Overall quality of passenger experience was further enhanced as the various schemes to improve network facilities progressed. The scheme to retrofit all underground stations with platform screen doors saw installations at 17 stations, bringing to 44 the number of platforms completed, out of 74 in total. Under the station improvement programme, renovations were undertaken at Prince Edward, Admiralty, Kowloon Tong, Mong Kok and Central stations. New escalators came into service at Tsim Sha Tsui Station and the number of stations with free internet access sites was increased to six.

Further progress was achieved on projects to improve station access through pedestrian links. A refurbished entrance at Tsim Sha Tsui Station was opened, followed by a new interchange subway at Kowloon Tong Station, providing easier passage to the KCRC concourse. Construction work on improving links began or continued at other stations, including Mong Kok which integrates with the Urban Renewal Authority's development, Admiralty which connects with Three Pacific Place, and Choi Hung which connects to the Park and Ride development.

### Operations performance in the first half 2004

Service performance item	Performance requirement	Customer service pledge target	Actual performance
Train service delivery	98.5%	99.5%	<b>99.9%</b>
Passenger journeys on time			
– MTR Lines	98.5%	99.5%	<b>99.9%</b>
– Airport Express Line	98.0%	99.0%	<b>99.9%</b>
Train punctuality			
– MTR Lines	98.0%	99.0%	<b>99.8%</b>
– Airport Express Line	98.0%	99.0%	<b>99.9%</b>
Train reliability: train car-km per train failure causing delays $\geq$ 5 minutes	N/A	500,000	<b>1,084,267</b>
Ticket reliability: magnetic ticket transactions per ticket failure	N/A	8,000*	<b>10,590</b>
Add value machine reliability	95.5%	98.0%*	<b>99.5%</b>
Ticket issuing machine reliability	93.0%	98.0%*	<b>99.5%</b>
Ticket gate reliability	97.0%	99.0%	<b>99.8%</b>
Escalator reliability	98.0%	99.0%	<b>99.9%</b>
Passenger lift reliability	98.5%	99.0%	<b>99.9%</b>
Temperature and ventilation			
– Trains: to maintain a cool, pleasant and comfortable train environment generally at a temperature at or below 26°C	N/A	97.0%	<b>99.9%</b>
– Stations: to maintain a cool, pleasant and comfortable environment generally at or below 27°C for platforms and 29°C for stations concourses, except on very hot days	N/A	90.0%	<b>99.7%</b>
Cleanliness			
– Train compartment: cleaned daily	N/A	98.5%*	<b>100%</b>
– Train body: washed every 2 days	N/A	98.0%	<b>99.9%</b>
Passenger enquiry response time within 7 working days <sup>†</sup>	N/A	99.0%	<b>99.9%</b>

\* Targets raised for 2004

<sup>†</sup> New performance criterion for 2004

### Property

Our property development business achieved satisfactory results in the first half of 2004 with development profits increasing by 70.1% to HK\$1,153 million when compared to the first half of 2003. Profits were derived mainly from Caribbean Coast (Tung Chung Package Three), together with Sorrento and The Harbourside (Kowloon Packages Two and Four respectively).

Along the Airport Railway, sales of residential units at the Company's various joint venture developments benefited from the improvement in market sentiment. Sales at Kowloon Package Four, The Harbourside, proceeded well whilst by 30 June 2004, all remaining units at Seaview Crescent (Tung Chung Package One) and Caribbean Coast Phase 2 (Tung Chung Package Three) had been sold. Construction on the superstructure began at Olympic Package Three, while construction of town houses began at Coastal Skyline Phase 2 at Tung Chung Station.

Developments along the Tseung Kwan O Line made further progress with satisfactory sale results in our joint venture development, Residence Oasis, at Hang Hau Station. At Tiu Keng Leng Station, construction has commenced on the superstructure whilst at Area 55b in Tseung Kwan O Station, work on the superstructure, including the podium, is proceeding on schedule. Also in Tseung Kwan O Station, following acceptance of design

changes, an additional premium was paid for the amended Area 57a scheme, while the proposal for a mixed commercial and residential development for Area 56 remained under review. For Area 86, which forms the bulk of MTR's land bank in Tseung Kwan O, we expect to make our first package available for development later this year.

Following rejection by the Town Planning Board of our proposals for Tsing Yi Town Lot No 135 adjacent to Tsing Yi Station, we are considering views of the community to develop a revised proposal.

The Company's commercial investment properties performed well in the first six months of 2004, with rental income rising 10.1% over the same period last year to HK\$481 million, as a result of the general economic upturn, supported by recovery in consumer confidence and increase in the number of Mainland visitors. Average rents at the Company's shopping centres rose while overall occupancy remained at over 99%.

The Company's landmark Two International Finance Centre above Hong Kong Station continued its success to secure more tenants and increase its profile as a state-of-the-art office building. As at 30 June 2004, MTR's 18 floors of this building were 85% let, with a number of reputable companies including ABN AMRO Bank, Bank of America and Samsung choosing to relocate there. Our tenants



have been attracted by the building's modern design, prime location, advanced building services and information technology facilities.

In April 2004, marketing began for MTR's new retail centre above Hang Hau Station, "The Link," which is scheduled to open in the first half of 2005. The Union Square Shopping Centre at Kowloon Station saw steady construction progress and we are expecting to receive the bare shell of this centre later this year. At Olympic Station, refurbishment began at Olympian City One to create a "sports city," which is targeted for completion in the third quarter of 2004.

The property management business also saw solid growth, with revenue rising 9.8% over the corresponding six months of last year

to reach HK\$56 million inclusive of agency income, as the managed portfolio continued to expand. In Hong Kong, as at 30 June 2004, the number of residential units managed by MTR had risen to 47,769, while commercial and office space increased to 558,796 square metres. In the Mainland, we continued to develop our property consultancy and management business with four developments now under management or pre-management contracts.

### Other businesses

Economic recovery and rising patronage led to a marked recovery in the Company's revenues from rail related and other businesses, which for the first half of this year rose by 13.1% to HK\$579 million when compared to the same period of 2003.

### Tseung Kwan O Line property developments (packages awarded)

Location	Developers	Type	Gross floor area (sq. m.)	No. of parking spaces	Status	Expected completion date
<b>Tseung Kwan O Station</b>						
Area 57a	Sun Hung Kai Properties Ltd.	Residential	26,005		Awarded in July 2000	2005
	Nan Fung Development Ltd.	Retail	3,637			
	Henderson Land Development Co. Ltd. Chime Corporation Ltd.	Car park		74		
Area 55b	New World Development Co. Ltd.	Residential	84,920		Awarded in January 2002	2006
	Chow Tai Fook Enterprises Ltd.	Retail	11,877			
	Wee Investments Pte. Ltd.	Car park		249		
<b>Hang Hau Station</b> (Residence Oasis, The Link)	Sino Land Co. Ltd.	Residential	138,652		Awarded in June 2002	2005
	Kerry Properties Ltd.	Retail	3,500			
		Car park		369		
<b>Tiu Keng Leng Station</b>	Cheung Kong (Holdings) Ltd.	Residential	236,965		Awarded in October 2002	2007
		Retail	16,800			
		Car park		587		

### Tseung Kwan O Line property developments (packages to be awarded)\*

Location	No. of packages envisaged	Type	Gross floor area (sq. m.)	No. of parking spaces	Expected package launch date	Expected completion date
<b>Tseung Kwan O Station</b>						
	2	Retail	60,000		2005–2006	2009
		Office	103,130			
		Car park		1,291		
<b>Area 86 (Tseung Kwan O South Station)</b>						
	14	Residential	1.6 million		2004–2010	2013
		Retail	40,000			
		Car park		4,131		

\* Subject to review in accordance with planning approval, land grant conditions and completion of statutory processes

### Choi Hung Park and Ride Development

Location	Developers	Type	Gross floor area (sq. m.)	No. of parking spaces	Status	Expected completion date
<b>Choi Hung Station</b>	Chun Wo Holdings Ltd.	Residential	19,138		Awarded in July 2001	2005
		Retail	2,400			
		Car park		54		
		Park and Ride		450		

Station commercial facilities revenues rose by 8.9% to HK\$147 million as usage of the network rebounded and a comprehensive programme to renovate MTR stations and improve tenant mix brought additional revenue growth. During the six months, 26 new shops were built under the renovation programme, including four at the new exit to Kowloon Tong Station that links with the KCRC network.

Advertising revenues rose significantly by 18.8% over the first half of 2003 to HK\$190 million. According to findings of the first "Reach & Frequency Research of MTR Advertising" by Nielsen Media Research, advertising at MTR reaches an average of 2.8 million passengers each week, about 45% of Hong Kong's total population.

New advertising formats and services continued to attract clients. In April, the first non-flash tunnel advertising was introduced between Wan Chai and Causeway Bay stations. The concourse and trackside TV plasma network expanded further, with a further 51 units installed during the first half of the year, bringing the total to 119 units by 30 June 2004. The programme to convert 4-sheet panels to higher impact 12-sheet panels in station concourses also progressed and is now 97% complete. To enhance competitiveness, some 12-sheet trackside panels at five key stations were converted to mega panels for sticker advertising.

Revenues from telecommunications services increased by 26.7% to HK\$114 million due to increased usage of mobile telephones within our network. We continue to upgrade our network to handle 3G communications with 18 stations now offering this service. We also introduced wireless LAN hot-spot services in most of the concourse and platform areas of all AEL stations. TraxComm Limited recorded higher revenue as it extended the reach of its optical fibre network to data centres and commercial buildings whilst continuing to upgrade its backbone network. A sales team was established to improve the service to wholesale customers, resulting in a number of bandwidth contracts.

Revenue from external consultancy increased slightly to HK\$73 million as compared with the same period last year as we took a more focused approach to seek only those contracts which would enhance our overseas growth strategy.

Miscellaneous business revenue during the first six months of 2004 amounted to HK\$55 million.

In the Mainland, we signed several new consulting and training contracts during the period, in cities such as Beijing, Nanjing and Tianjin. In Shanghai, the Company's joint venture partnership, SHKM Construction Management, signed the agreement to be the owner's representative on Shen-song Line R4, and work has started on several key contracts. The joint venture also secured two further consultancy contracts, both on Shanghai Line 11 (Shen-jia Line).

Elsewhere, our contribution to a project to build a nation-wide Automatic Fare Collection system for the Netherlands has made satisfactory progress, with station layouts nearing completion and the bulk initialisation machine delivered.

Octopus Cards continued to expand its operations both within and beyond the transport sector. As at 30 June 2004, cards in circulation

rose to 11.0 million and average daily transaction volume and value for the month of June 2004 increased to 8.3 million and HK\$56.7 million respectively. MTR's share of earnings from this company rose by 81.8% to HK\$20 million for the six months period. By 30 June 2004, almost all Green Minibuses accepted Octopus, as well as 47 Red Minibuses. Car parks accepting the system have increased to 143 and the roll-out to parking meters continued. More large retail chains joined during the first half of the year, including St Honore, while Citibank and Hang Seng Bank became the latest to join the expanding group of banks that offers Automatic Added-Value Service to their credit card clients. To increase usage, Octopus Cards launched a "Rewards on the Go" promotion for users. In April 2004, the Octopus Online Shopping Mall went live, offering for sale a wide range of Octopus products over the internet.

## Projects

Work on the Disneyland Resort Line (formerly the Penny's Bay Rail Link) to the Disneyland Theme Park continued to progress well, with the interconnecting tunnel at Tai Yam Teng completed and handed over to the trackwork contractor, and civil works completed at both stations. Conversion of the rolling stock is on target and all electrical and mechanical contracts are either in manufacture or installation.

In the Tung Chung Cable Car project, the critical stream diversion work at Ngong Ping was completed to facilitate follow-on works, and foundation piling at the Tung Chung Terminal was completed slightly ahead of schedule. The foundations for the Airport Island Angle Station were laid and a specialist project management consultant appointed for the Ngong Ping Village Specialist Attractions. Throughout, we have worked closely with local stakeholders and environmental groups to ensure a socially and environmentally appropriate approach.

MTR continued to work with the Government to explore options for extending the urban railway network. A project proposal for an extension of the Kwun Tong Line to Whampoa Gardens was submitted in February 2004. A revised proposal for the West Island Line and South Island Line was submitted in March 2004 and is under review by the Government.

In March, the Company signed a project agreement with Hong Kong IEC Limited to construct the new AsiaWorld-Expo Station at the end of AEL at Hong Kong International Airport. The station will give direct access to the AsiaWorld-Expo (formerly the International Exhibition Centre) via two link bridges and is designed to handle peak passenger flows, using both Tung Chung Line and AEL trains. Construction work began in June 2004 with a target opening date of December 2005.

## Expansion outside Hong Kong

As I mentioned in the 2003 Annual Report, MTR is determined to expand our business outside of Hong Kong to enhance value for our shareholders. The first example of this expansion is the Shenzhen Line 4 Project where we signed an Agreement in Principle with the Shenzhen Municipal People's Government in January 2004 to build Phase 2 of Line 4 and to operate both Phase 1 and Phase 2 of Line 4 for a period of 30 years.

Under the agreement, MTR will construct a double-track line between Shaoniangong and Longhua town, including two underground and seven above-ground stations. The Shenzhen project follows our well proven "rail and property model". Initial design of the property development schemes is now underway, and the first development package is expected to be issued for tender at the end of 2005, subject to detailed planning and market conditions. Construction of Phase 2 is scheduled to begin in 2005 after finalising the concession and operating agreements which are subject to Central Government approval and operation is expected in 2008. The total project cost of Phase 2 is estimated at RMB6 billion of which RMB2.4 billion is expected to be capital injection from MTR. With the current investment climate in China, it is possible that the approval process of the Shenzhen project may take longer than originally expected.

In April 2004, the Company signed a Memorandum of Understanding with Beijing Infrastructure Investment Company Limited and Beijing Capital Group. The intention is to form a Public-Private Partnership for the procurement management of electrical and mechanical systems for, and operation of the Beijing Metro Line 4 project, one of the major infrastructure projects to prepare for the 2008 Olympic Games.

As noted in the 2003 Annual Report, we intend to explore growth opportunities outside Hong Kong but we also recognise the associated risk. Hence, investments will be analysed prudently with return requirements commensurate with the risk assumed. We will continue to focus on projects where MTR can add value through the significant experience developed in all our businesses.

### Possible merger between MTR and KCRC

As noted in the 2003 Annual Report on 24 February 2004, Government invited MTR and KCRC to commence discussions on a possible merger under five set parameters. Since the announcement, a significant amount of work has been done in close co-operation with KCRC which will allow the two companies to present a joint proposal to Government by the deadline of 31 August 2004.

The Government's parameters will be carefully weighed against the terms of the merger to ensure that any transaction will be value enhancing to MTR, our shareholders and other capital providers. The possible merger will be a connected transaction and therefore will require independent shareholders' approval. Stakeholders should note that there is no assurance at this time that a merger will be implemented.

### Financial review

Total revenue for the first half year was HK\$3,987 million, a significant increase of 11.8% from the same period last year during which the Hong Kong economy was severely affected by the outbreak of SARS. As a result, total fare revenue increased by 11.8% to HK\$2,871 million during the period, with substantial improvement in the patronage of both the MTR Lines and AEL of 12.0% and 32.5% respectively. With continued fare promotions and concessions, average fares on the MTR Lines declined by 2.1% to HK\$6.50 in the first half of 2004 compared to HK\$6.64 for the same period last year.

Non-fare revenue including property investment revenue grew strongly by 11.6% to HK\$1,116 million mainly due to significant increases in advertising, telecommunication and property rental income. With the end of SARS, the growth in advertising and telecommunication income was helped by a recovery in consumer spending during the period. The increase in property rental income was mainly attributable to rent increases upon tenancy renewals in our shopping centres.

Operating costs before depreciation increased by 1.0% to HK\$1,769 million as compared with the same period last year, mainly due to higher maintenance cost resulting from the expiry of warranty periods in respect of most of the Tseung Kwan O Line assets, together with higher station commercial and property rental expenses owing to expanded business activities in these areas. However, these increases were partially offset by lower staff and related costs resulting from the effect of continued cost control measures and reduction in pension expenses. In comparing the prior period, there was an operational rate adjustment of HK\$46 million in the first half of 2003. Had this adjustment been excluded, there would have been a reduction of HK\$28 million or 1.6% in operating cost in the first six-month of 2004 when compared to the same period 2003.

Operating profit from railway and related operations before depreciation was HK\$2,218 million, an increase of 22.1% compared to the same period last year, resulting in an operating profit margin of 55.6%, an increase of 4.7 percentage points when compared with the same period last year.

Property development profit of HK\$1,153 million was recognised in the first half of 2004 mainly from deferred income relating to Caribbean Coast at Tung Chung Station and The Harbourside at Union Square, Kowloon Station, as well as profit on sale of properties held at Sorrento, Kowloon Station. As a result, operating profit for the Company before depreciation was HK\$3,371 million for the first six months of 2004, an increase of 35.2% compared with the same period last year.

Depreciation charges increased by 4.9% to HK\$1,251 million mainly due to the commissioning of the West Rail Interchange facilities in December 2003. Net interest expenses decreased by 9.8% to HK\$743 million due to lower interest rates and reduced borrowing. Deferred income tax expense was HK\$221 million. As in prior years, this deferred income tax is a non-cash item. Together with the Company's share of Octopus Cards Limited's earnings of HK\$20 million, the Group's profit attributable to shareholders for the first half year was HK\$1,175 million, a significant increase compared to the same period last year. Earnings per share rose to HK\$0.22 compared with HK\$0.02 in the comparable period last year.

The Directors have declared an interim dividend of HK\$0.14 per share, which is the same as last year. As with previous dividend payments, a scrip dividend option will be offered to all shareholders with a Hong Kong address. As reported in the 2003 Annual Report, the Government has agreed to extend scrip dividend arrangements for another three years up to and including dividends declared for the Company's financial year ending 31 December 2006.

The Group's balance sheet remained strong. Shareholders' funds increased to HK\$57,778 million with the re-investment of scrip dividends by the Government and other shareholders offset partially by a net reduction in retained profits after payment of the 2003 final dividend. Major capital outlays for the half-year period related to the expenditure on the Disneyland Resort Line, the Tung Chung Cable Car project and other capital improvement projects. During the period, the Group was able to reduce its gross borrowings from HK\$32,025 million at year-end 2003 to HK\$31,736 million at the end of June 2004, resulting in the gross debt-to-equity ratio reducing from 55.9% to 54.9%. Netting off the cash balances on our balance sheet, the Group's net debt-to-equity ratio as at 30 June 2004 was 54.3% compared with 55.2% as at 31 December 2003.

The Group's cash outflows for the six months ended 30 June 2004 amounted to HK\$3.3 billion, which included capital payments for the Disneyland Resort Line and other capital projects for the existing railway system, net loan repayments as well as interest and dividends paid. These payments were financed partly by the net cash inflow from operating activities, and partly by proceeds from properties sold and cash surplus brought forward from 2003.

### Financing activities

In January this year, the Group took advantage of favourable issuing conditions in the US dollar market and successfully launched a US\$600 million 10-year Eurobond at an attractive re-offer spread of 83 basis points over the comparable yield of 10-year US treasuries. The offering attracted total subscriptions of close to US\$1.9 billion from over 130 investors represented by a diverse group of institutional investors including banks, insurance companies, pension funds and money managers. This financing not only enabled the Group to further extend our debt maturity profile, but also set a new 10-year US dollar benchmark for Hong Kong's quasi-sovereign credits.

At the end of June 2004, the Group had undrawn committed facilities totaling HK\$5.6 billion, which would be sufficient to cover all of our projected funding needs well into the third quarter of 2005.

In the first half of 2004, the Group continued to manage our debt portfolio in accordance with our Preferred Financing Model to achieve a well-balanced debt profile with adequate risk diversification. As at 30 June 2004, the debt portfolio had a well-balanced spread of maturities, with 25% repayable within 2 years, 31% due between 2 and 5 years, and 44% maturing beyond 5 years. In total, 72% of the borrowings were based on fixed interest rates, and 98% were either denominated in or hedged into Hong Kong dollars, with the remaining 2% held in US dollars.

As a result of the continuing low interest rates and attractive terms of new financings obtained, the Group was able to reduce its borrowing cost further during the period to 4.8% from 5.4% in 2003.

### Human resources

During the first half-year of 2004, the Company continued to improve staff productivity, with the number of staff reduced to 6,570 as at 30 June 2004.

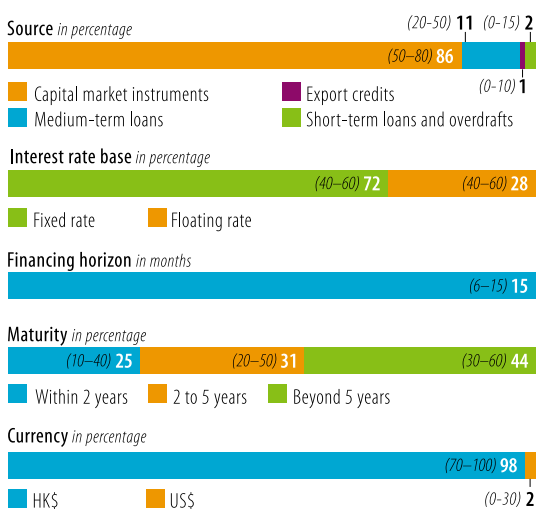
Following announcement by the Government inviting the Company and KCRC to commence discussion on the possible merger, extensive staff communication was immediately initiated. To strengthen corporate governance, the Code of Conduct was updated to reflect the latest regulatory requirements and a guidebook was prepared to provide more specific guidelines on employee behaviour.

Subsequent to the revision of the Vision, Mission and Core Values, a six-month communication programme was launched to promote staff understanding and adoption of the new direction. Results of the Staff Attitude Survey conducted at the end of 2003 showed staff sentiment at MTR continue to stay above the Hong Kong norm in almost all areas, and the Company will

### Preferred financing model and debt profile

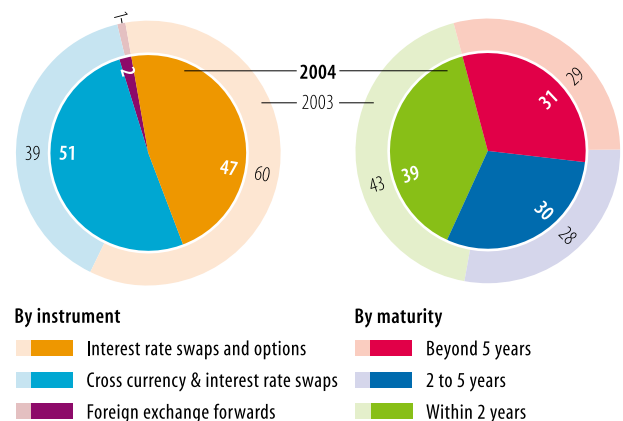
(Preferred Financing Model) vs. Actual debt profile

As at 30 June 2004



### Use of interest rate and currency risk hedging products

Percentage (As at 30 June 2004)



continue to strive for further improvements. During the first half of 2004, a total of 21,900 man-days of training were completed. Our effort in staff training and development was recognised by the Hong Kong Management Association with the "Most Innovative Award" for Excellence in Training 2004.

## Outlook

Looking into the second half of 2004, we see continuous improvement in the Company's recurring revenues, reflecting the growth of the Hong Kong economy.

### Further improvement in patronage

Patronage in our rail network should continue to improve, supported by improving economic conditions and increased visitor arrivals, particularly from the Mainland as more cities are added to those permitting individual travels. We are also hopeful that interchanging passenger flow from KCRC's West Rail will increase as the public becomes more aware of the convenience and benefits offered by our interchange. This will be partially offset by some loss of patronage when the KCRC Tsim Sha Tsui Extension opens in the second half of the year.

MTR is committed to improving station environments to enhance passenger comfort and experience. We aim to complete retrofitting of platform screen doors on 10 more platforms at five stations by the end of 2004. We will also work closely with our external pedestrian link partners, the Government and private developers to create further pedestrian links.

### Stable environment for property businesses

The property market appears to be entering a period of relative stability and this should be supportive of all our property businesses. At Tseung Kwan O Area 86 we anticipate making available the first package of the "Dream City" for development by year-end, involving some 2,000 flats. As noted in the 2003 Annual Report, in our property development business during the second half, we expect profit contribution from receipt of our share of Phase 1 of the shell of the retail centre in Union Square in Kowloon. This shell will require internal fit out and decoration over the next two years. We also expect to book profits from deferred income relating to Coastal Skyline and Caribbean Coast (Tung Chung Packages Two and Three respectively) as well as some surplus proceeds from The Harbourside at Union Square. The timing of recognition of other property development profits will be dependent on stages of completion and pre-sales for deferred income, and generally the issuance of occupation permits for profit sharing.

Construction of the Olympic Package Three superstructure and the Tiu Keng Leng Station Development, and of town houses at Coastal Skyline Phase 2 at Tung Chung Station will continue. Pre-sales of units at Tiu Keng Leng and Choi Hung stations are planned for the second half of the year. In the second half of 2004, we will open the new "sports city" at Olympic Station.

Our commercial investment properties should benefit from the sustained recovery in retail spending and we will take advantage of this through promotional campaigns, effective management and continuous enhancement of trade mix at our shopping

centres. Discussions currently underway with prospective tenants of Two IFC are also expected to lead to further commitments over the coming months.

The stability in the property market and improved end-user sentiment should support our property management and property agency businesses. Our property management portfolio is expected to grow further in the second half of 2004 when an estimated 2,362 units will be added from completion of The Harbourside and Caribbean Coast.

Further inroads are also expected in the Mainland property management market where our management portfolio will increase to 1,800 units after completion of Beijing Palm Springs International Apartment in Beijing, Chongqing Springs International Phase 1 in Chongqing, and The Image of North Europe in Shenzhen.

### Steady growth in other businesses

The steady improvement in patronage and rebound in retail activities will help improve our station commercial and advertising businesses.

The ongoing programme to renovate stations and advertising formats will continue to boost the Company's advertising and kiosk rental revenues. During the second half of the year, we plan to complete renovations at nine more stations.

### New projects continue on schedule

Our two leisure related projects on Lantau Island are expected to achieve major milestones during the second half of the year. The Disneyland Resort Line will see the commencement of running of engineer's works trains, dynamic testing of trains and track energisation. The project is expected to meet its target completion date of mid-2005 and be well within the budget estimate.

For the Tung Chung Cable Car project, construction of the terminals, angle stations and Theme Village will continue, whilst completion of the public transport interchange entrusted works at Ngong Ping is expected by November.

### Investments outside Hong Kong

For the Shenzhen Line 4 project, we shall continue our negotiations with the Shenzhen Municipal People's Government. Given the current investment climate, however, there may be delays in the finalisation of the operating and concession agreements. We will also forge ahead with discussions with Beijing Infrastructure Investment Company Limited and Beijing Capital Group on the Beijing Line 4 project with the aim of progressing our Memorandum of Understanding towards an Agreement in Principle.

C K Chow, *Chief Executive Officer*  
Hong Kong, 3 August 2004

## Corporate governance and other information

### Code of Best Practice

The Company has complied throughout the half-year ended 30 June 2004 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 has been a non-executive Director since 1998. He was also appointed non-executive Chairman for a term of three years with effect from 21 July 2003.

### Audit Committee

The Audit Committee meets four times each year to review the truth 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, the Chief Executive Officer and members of the Executive Directorate. All the members of the Remuneration Committee are non-executive Directors, namely Edward Ho Sing-tin (chairman), T. Brian Stevenson 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 2004, 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 and its associated corporation (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 Directors of Listed Issuers were as follows:

### Long Positions in Shares and Underlying Shares of the Company

Member of the Board of Directors or Executive Directorate	Number of Ordinary Shares held			Derivatives		Total interests	Percentage of aggregate interests to total issued share capital
	Personal* interests	Family† interests	Corporate interests	Share Options	Other		
Chow Chung-kong	–	–	–	–	700,000 (Note 1)	700,000	0.01307
T. Brian Stevenson	4,392	–	–	–	–	4,392	0.00008
Christine Fang Meng-sang	1,675	–	–	–	–	1,675	0.00003
Philip Gaffney	46,524	614	–	416,000 (Note 2)	–	463,138	0.00865
Russell John Black	50,543	–	–	–	–	50,543	0.00094
William Chan Fu-keung	46,233	–	–	317,500 (Note 2)	–	363,733	0.00679
Thomas Ho Hang-kwong	50,487	2,524	–	321,000 (Note 2)	–	374,011	0.00698
Lincoln Leong Kwok-kuen	–	–	23,000 (Note 3)	1,066,000 (Note 4)	–	1,089,000	0.02033

#### Notes:

- Mr. Chow Chung-kong has a derivative interest in respect of 700,000 shares in the Company within the meaning of Part XV of SFO. That derivative interest represents Mr. Chow's entitlement to receive 700,000 shares in the Company (or their equivalent value in cash) on completion of his three year contract (on 30 November 2006).
- Further details of the above share options are set out in the table below showing details of the options to subscribe for ordinary shares granted under the Pre-Global Offering Share Option Scheme.
- The 23,000 shares are held by Linsan Investment Ltd., a private limited company beneficially wholly owned by Mr. Lincoln Leong Kwok-kuen.
- Further details of the above share options are set out in the table below showing details of the options to subscribe for ordinary shares granted under the New Joiners Share Option Scheme.

### Notes of MTR Corporation (C.I.) Limited

Member of the Executive Directorate	Personal interests*
William Chan Fu-keung	HK\$50,000 MTR 301 4.50 per cent. Notes due 2005

\* Interests as beneficial owner

† Interests of spouse as beneficial owner

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

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2004	Options lapsed during the period	Options exercised during the period	Price per share paid on exercise of options (HK\$)	Options outstanding as at 30 June 2004	Weighted average closing price of shares immediately before the date(s) on which options were exercised
Philip Gaffney	20/9/2000	1,066,000	5/4/2001 – 11/9/2010	1,022,000	–	606,000	8.44	416,000	11.80
William Chan Fu-keung	20/9/2000	1,066,000	5/4/2001 – 11/9/2010	822,000	–	504,500	8.44	317,500	12.14
Thomas Ho Hang-kwong	20/9/2000	1,066,000	5/4/2001 – 11/9/2010	621,000	–	300,000	8.44	321,000	12.25
Other eligible employees	20/9/2000	40,343,000	5/4/2001 – 11/9/2010	22,764,500	–	4,723,500	8.44	18,041,000	12.10

Notes:

1. The exercise price of the share options is HK\$8.44 per share.

2. None of the share options was cancelled during the period.

3. All of the above share options were vested on 5 October 2003. The proportion of underlying shares in respect of which the share options have vested 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

### Options to subscribe for Ordinary Shares granted under the New Joiners Share Option Scheme

Executive Directorate and eligible employees	Date granted	No. of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2004	Options vested during the period	Options lapsed during the period	Options exercised during the period	Price per share paid on exercise of options (HK\$)	Options outstanding as at 30 June 2004	Weighted average closing price of shares immediately before the date(s) on which options were exercised
Lincoln Leong Kwok-kuen	1/8/2003	1,066,000	14/7/2004 – 14/7/2013	1,066,000	–	–	–	–	1,066,000	–
Other eligible employees	1/8/2003	495,200	14/7/2004 – 14/7/2013	495,200	–	–	–	–	495,200	–

Notes:

1. The exercise price of the share options is HK\$9.75 per share.

2. None of the share options was cancelled during the period.

3. The proportion of underlying shares in respect of which the above share options will vest is as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before the first anniversary of the date of offer of the option (the "Offer Anniversary")	none
From the first Offer Anniversary to the date immediately before the second Offer Anniversary	one-third
From the second Offer Anniversary to the date immediately before the third Offer Anniversary	two-thirds
From the third Offer Anniversary and thereafter	all

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 2004, 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 Issuers.

### 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 2004 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
The Financial Secretary Incorporated (in trust on behalf of the Government)	4,092,836,126	76.40

The Company has been informed by the Government that, as at 30 June 2004, approximately 1.44% of the shares of the Company were held for the account of the Exchange Fund. The Exchange Fund is a fund established under the Exchange Fund Ordinance (Cap. 66 of the laws of Hong Kong) under the control of the Financial Secretary.

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

As at 30 June 2004, the Group had borrowings of HK\$30,758 million with maturities ranging from 2004 to 2018 and undrawn committed and uncommitted banking and other facilities of HK\$10,856 million that were subject to the Government, being the Company's controlling shareholder, owning more than half in nominal value of the voting shares 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 2004.








### Closure of Register of Members


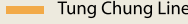
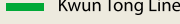
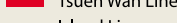
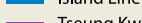
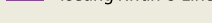
The Register of Members of the Company will be closed from 30 August to 3 September 2004 (both dates inclusive), during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with 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 2004. The 2004 interim dividend is expected to be paid on or about 28 October 2004 to shareholders whose names appear on the Register of Members of the Company on 3 September 2004.



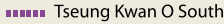
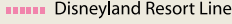
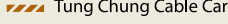
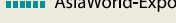
# Operating network with future extensions

## Legend


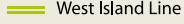
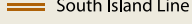
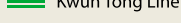
-  Station
  -  Station with Depot
  -  Interchange Station
  -  Proposed Station
  -  Proposed Interchange Station
  -  Property Developments along Tseung Kwan O Line and Choi Hung Station
  -  Potential Station
- 
- Existing network**

  -  Airport Express Line
  -  Tung Chung Line
  -  Kwun Tong Line
  -  Tsuen Wan Line
  -  Island Line
  -  Tseung Kwan O Line


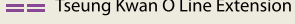
**Projects in progress**

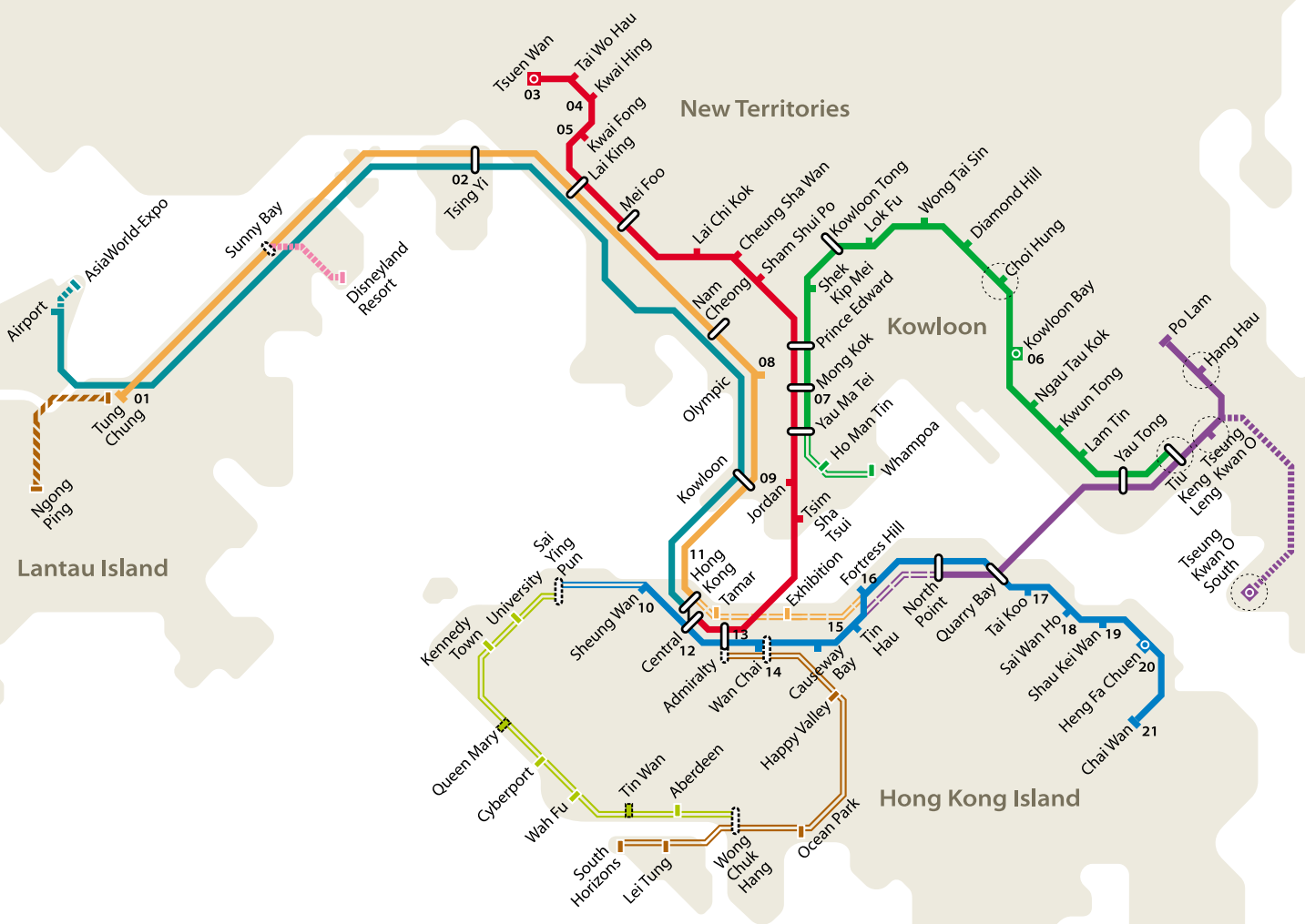
  -  Tseung Kwan O South
  -  Disneyland Resort Line
  -  Tung Chung Cable Car
  -  AsiaWorld-Expo

**Extensions under study**

  -  Island Line
  -  West Island Line
  -  South Island Line
  -  Kwun Tong Line

**Future extensions**

  -  North Island Link
  -  Tseung Kwan O Line Extension



## Properties developed by the Company

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>01 Tung Chung Crescent / Citygate / Seaview Crescent / Caribbean Coast / Coastal Skyline</li> <li>02 Tierra Verde / Maritime Square</li> <li>03 Luk Yeung Sun Chuen / Luk Yeung Galleria</li> <li>04 Sun Kwai Fong Garden</li> <li>05 New Kwai Fong Gardens</li> <li>06 Telford Gardens / Telford Plaza I and II</li> <li>07 Argyle Centre</li> </ul> | <ul style="list-style-type: none"> <li>08 Central Park / Island Harbourview / Park Avenue / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two</li> <li>09 Union Square – The Waterfront / Sorrento / The Harbourside</li> <li>10 Hongway Garden / Vicwood Plaza</li> <li>11 One International Finance Centre / Two International Finance Centre / IFC Mall</li> <li>12 World-wide House</li> </ul> | <ul style="list-style-type: none"> <li>13 Admiralty Centre / Fairmont House</li> <li>14 Southorn Garden</li> <li>15 Park Towers</li> <li>16 Fortress Metro Tower</li> <li>17 Kornhill / Kornhill Gardens</li> <li>18 Felicity Garden</li> <li>19 Perfect Mount Gardens</li> <li>20 Heng Fa Chuen / Heng Fa Villa / Paradise Mall</li> <li>21 New Jade Garden</li> </ul> |
|--|---|---|

## Consolidated profit and loss account

for the half-year ended 30 June <i>in HK\$ million</i>	Note	2004 (Unaudited)	2003 (Unaudited)
Fare revenue			
– MTR Lines		2,625	2,391
– Airport Express Line		246	176
Station commercial and other revenue		579	512
Rental and management income		537	488
<b>Turnover</b>		<b>3,987</b>	<b>3,567</b>
Staff costs and related expenses		(772)	(832)
Energy and utilities		(252)	(258)
Operational rent and rates		(34)	6
Stores and spares consumed		(54)	(55)
Repairs and maintenance		(244)	(215)
Railway support services		(36)	(40)
Expenses relating to station commercial and other businesses		(128)	(133)
Property ownership and management expenses		(94)	(90)
Project study expenses		(29)	(5)
General and administration expenses		(70)	(74)
Other expenses		(56)	(55)
<b>Operating expenses before depreciation</b>		<b>(1,769)</b>	<b>(1,751)</b>
<b>Operating profit from railway and related operations before depreciation</b>		<b>2,218</b>	<b>1,816</b>
Profit on property developments	2	1,153	678
<b>Operating profit before depreciation</b>		<b>3,371</b>	<b>2,494</b>
Depreciation		(1,251)	(1,193)
<b>Operating profit before interest and finance charges</b>		<b>2,120</b>	<b>1,301</b>
Interest and finance charges		(743)	(824)
Share of profit of non-controlled subsidiary		20	11
<b>Profit before taxation</b>		<b>1,397</b>	<b>488</b>
Income tax	5	(222)	(375)
<b>Profit attributable to shareholders</b>		<b>1,175</b>	<b>113</b>
Dividend	3		
Interim dividend declared after the balance sheet date		750	734
Earnings per share:	4		
– Basic		HK\$0.22	HK\$0.02
– Diluted		HK\$0.22	HK\$0.02

The notes on pages 20 to 27 form part of this interim financial report.

## Consolidated balance sheet

<i>in HK\$ million</i>	Note	At 30 June 2004 (Unaudited)	At 31 December 2003 (Audited)
<b>Assets</b>			
Fixed assets			
– Investment properties		14,177	14,169
– Other property, plant and equipment		81,944	82,752
		<b>96,121</b>	96,921
Railway construction in progress		611	181
Property development in progress		2,334	2,309
Deferred expenditure		199	104
Interest in non-controlled subsidiary		128	110
Staff housing loans		59	67
Properties held for sale		529	812
Stores and spares		265	249
Debtors, deposits and payments in advance	8	884	1,153
Amounts due from the Government and other related parties	9	63	84
Cash and cash equivalents		367	376
		<b>101,560</b>	102,366
<b>Liabilities</b>			
Bank overdrafts		6	12
Short-term loans		522	353
Creditors, accrued charges and provisions	10	3,361	3,420
Taxes payable		2	2
Contract retentions		282	311
Amounts due to the Government and other related parties	9	5	161
Loans and obligations under finance leases	11	31,208	31,660
Deferred liabilities		94	86
Deferred income		4,075	5,061
Deferred tax liabilities		4,219	4,000
		<b>43,774</b>	45,066
<b>Minority interests</b>			
		<b>8</b>	8
<b>Net assets</b>			
		<b>57,778</b>	57,292
<b>Shareholders' funds</b>			
Share capital, share premium and capital reserve	12	35,878	35,086
Other reserves	13	21,900	22,206
		<b>57,778</b>	57,292

The notes on pages 20 to 27 form part of this interim financial report.

## Consolidated statement of changes in equity

for the half-year ended 30 June <i>in HK\$ million</i>	Note	2004 (Unaudited)	2003 (Unaudited)
Balance as at 1 January		57,292	53,574
Net profit for the period		1,175	113
Dividend paid during the period	3	(1,481)	(1,444)
Shares issued under	12		
– Employee Share Option Scheme		52	15
– Scrip Dividend Scheme		740	722
Net increase in shareholders' funds arising from capital transactions		792	737
Balance as at 30 June		57,778	52,980

## Consolidated cash flow statement

for the half-year ended 30 June in HK\$ million	2004 (Unaudited)	2003 (Unaudited)
<b>Cash flows from operating activities</b>		
Operating profit from railway and related operations before depreciation	2,218	1,816
Adjustments for:		
Decrease in provision for obsolete stock	(10)	–
Loss on disposal of fixed assets	4	5
Project study expenses	29	5
Amortisation of deferred income from lease transaction	(3)	(1)
Exchange loss/(gain)	5	(1)
Operating profit from railway and related operations before working capital changes	2,243	1,824
(Increase)/Decrease in debtors, deposits and payments in advance	(55)	9
Increase in stores and spares	(7)	(10)
Increase in creditors, accrued charges and provisions	121	659
Cash generated from operations	2,302	2,482
Overseas tax paid	(1)	–
<b>Net cash generated from operating activities</b>	<b>2,301</b>	<b>2,482</b>
<b>Cash flows from investing activities</b>		
Capital expenditure		
– Tseung Kwan O Extension Project	(64)	(420)
– Disneyland Resort Line	(383)	(177)
– Tung Chung Cable Car Project	(182)	(22)
– Property development projects	(107)	(79)
– Purchase of assets and other capital projects	(966)	(886)
Receipts from property developers	266	17
Proceeds from properties sold	757	25
Principal repayments under Staff Housing Loan Scheme	8	8
<b>Net cash used in investing activities</b>	<b>(671)</b>	<b>(1,534)</b>
<b>Cash flows from financing activities</b>		
Shares issued	52	15
Drawdown of loans	6,379	1,593
Repayment of loans	(6,667)	(2,536)
Reduction in capital element of finance lease	(55)	(51)
Receipts of deferred income from lease transaction	–	137
Collection of refundable deposits and asset replacement reserve funds	6	–
Interest paid	(619)	(855)
Interest received	5	10
Interest element of finance lease rental payments	(20)	(24)
Finance charges paid	(10)	(15)
Dividend paid	(704)	(281)
<b>Net cash used in financing activities</b>	<b>(1,633)</b>	<b>(2,007)</b>
Net decrease in cash and cash equivalents	(3)	(1,059)
Cash and cash equivalents at 1 January	364	1,684
Cash and cash equivalents at 30 June	361	625
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and cash equivalents	367	642
Bank overdrafts	(6)	(17)
	<b>361</b>	<b>625</b>

The notes on pages 20 to 27 form part of this interim financial report.

# Notes to the unaudited interim financial report

## 1 Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the Board of Directors is set out on page 28. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

This interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 31 December 2003 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2003, on which the auditors have expressed an unqualified opinion on those accounts in their report dated 2 March 2004, are available from the Company’s registered office.

The same accounting policies adopted in the 2003 annual accounts have been applied to the interim financial statements.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the issuance of the 2003 annual accounts.

## 2 Profit on property developments

Profit on property developments includes cost of properties sold of HK\$283 million (2003: HK\$43 million).

## 3 Dividends

<i>in HK\$ million</i>	<b>Half-year ended 30 June 2004</b>	Half-year ended 30 June 2003
Dividend paid		
2003 final dividend of 28 cents (2002: 28 cents) per share approved and paid in 2004	<b>1,481</b>	1,444
Dividend declared		
Interim dividend declared after the balance sheet date of 14 cents (2003: 14 cents) per share	<b>750</b>	734

#### 4 Earnings per share

The calculation of basic earnings per share is based on the profit for the half-year period ended 30 June 2004 attributable to shareholders of HK\$1,175 million (2003: HK\$113 million) and the weighted average number of ordinary shares of 5,293,223,376 in issue during the period (2003: 5,167,723,476).

The calculation of diluted earnings per share is based on the profit for the half-year period ended 30 June 2004 attributable to shareholders of HK\$1,175 million (2003: HK\$113 million) and the weighted average number of ordinary shares of 5,299,525,136 in issue during the period (2003: 5,168,873,569) after adjusting for the number of dilutive potential ordinary shares under the employee share option schemes calculated as follows:

	Half-year ended 30 June 2004	Half-year ended 30 June 2003
Weighted average number of ordinary shares used in calculating basic earnings per share	5,293,223,376	5,167,723,476
Number of ordinary shares deemed to be issued for no consideration	6,301,760	1,150,093
Weighted average number of ordinary shares used for calculating the diluted earnings per share	5,299,525,136	5,168,873,569

#### 5 Income tax

Income tax in the consolidated profit and loss account represents:

<i>in HK\$ million</i>	Half-year ended 30 June 2004 (Unaudited)	Half-year ended 30 June 2003 (Unaudited)
Current tax		
– overseas tax for the period	1	–
Deferred tax		
– origination and reversal of temporary differences	219	75
– effect of increase in tax rate from 16.0% to 17.5 % on deferred tax balances at 1 January	–	300
	219	375
Share of non-controlled subsidiary's taxation	2	–
	222	375

No provision for current Hong Kong Profits Tax has been made in the consolidated profit and loss account in respect of the Company and its subsidiaries, as the Company and its subsidiaries either have substantial accumulated tax losses brought forward which are available for set off against current period's assessable profits or have sustained tax losses for the period ended 30 June 2004. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 6 Segmental information

The Group's results of major business activities for the half-year ended 30 June 2004, with comparative figures for the half-year ended 30 June 2003, are summarised below:

<i>in HK\$ million</i>	Railway operations	Station commercial and other businesses	Property ownership and management	Total railway operations and related activities	Property developments	Total
<b>Half-year ended 30 June 2004 (Unaudited)</b>						
Revenue	2,871	579	537	3,987	–	3,987
Less: Operating expenses before depreciation	1,374	128	94	1,596	–	1,596
	1,497	451	443	2,391	–	2,391
Profit on property developments	–	–	–	–	1,153	1,153
Operating profit before depreciation	1,497	451	443	2,391	1,153	3,544
Less: Depreciation	1,182	56	2	1,240	–	1,240
	315	395	441	1,151	1,153	2,304
Unallocated corporate expenses						(184)
Interest and finance charges (net)						(743)
Share of profit of non-controlled subsidiary						20
Income tax						(222)
<b>Profit for the period ended 30 June 2004</b>						<b>1,175</b>
<b>Half-year ended 30 June 2003 (Unaudited)</b>						
Revenue	2,567	512	488	3,567	–	3,567
Less: Operating expenses before depreciation	1,371	133	90	1,594	–	1,594
	1,196	379	398	1,973	–	1,973
Profit on property developments	–	–	–	–	678	678
Operating profit before depreciation	1,196	379	398	1,973	678	2,651
Less: Depreciation	1,126	55	1	1,182	–	1,182
	70	324	397	791	678	1,469
Unallocated corporate expenses						(168)
Interest and finance charges (net)						(824)
Share of profit of non-controlled subsidiary						11
Income tax						(375)
<b>Profit for the period ended 30 June 2003</b>						<b>113</b>

No geographical analysis is shown as substantially all the principal activities of the Group are carried out in Hong Kong.

Profit on property developments for the half-years ended 30 June 2003 and 2004 were mainly recognised from the deferred income account.



## 7 Investments in subsidiaries

The followings are new subsidiary companies established during the half-year ended 30 June 2004:

Name of company	Issued and paid up ordinary / registered share capital	Proportion of ownership interest			Place of incorporation and operation	Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary		
Candiman Limited	US\$1	100%	100%	–	British Virgin Islands	Investment holding
MTR Corporation (Shenzhen) Limited	HK\$100,000,000	100%	–	100%	The People's Republic of China (Incorporated)	Conduct early-stage preparatory work for Shenzhen Metro Line 4 project

The registered share capital of MTR Corporation (Shenzhen) Limited is to be paid up in four quarterly instalments of equal amount starting from 4 March 2004. As of 30 June 2004, HK\$25 million of MTR Corporation (Shenzhen) Limited's registered share capital has been paid up.

## 8 Debtors, deposits and payments in advance

The Group's credit policy in respect of receivables arising from its principal activities is as follows:

- i Rentals, advertising and telecommunications fees are billed monthly with due dates ranging from 7 to 50 days. Tenants of the Group's investment properties and station kiosks are required to pay three months' rental deposit upon the signing of lease agreements.
- ii Amounts receivable under interest rate and currency swap agreements with financial institutions are due in accordance with the respective terms of the agreements.
- iii Debtors in relation to contracts and capital works entrusted to the Group, subject to any agreed retentions, are due within 21 days upon the certification of work in progress.

The ageing of debtors relating to the above activities is analysed as follows:

<i>in HK\$ million</i>	<b>At 30 June 2004 (Unaudited)</b>	At 31 December 2003 (Audited)
Amount not yet due	<b>451</b>	775
Overdue by 30 days	<b>72</b>	67
Overdue by 60 days	<b>3</b>	16
Overdue by 90 days	<b>6</b>	9
Overdue by more than 90 days	<b>17</b>	10
Total debtors	<b>549</b>	877
Deposits and payments in advance	<b>335</b>	276
	<b>884</b>	1,153

## 9 Material related party transactions

The Financial Secretary Incorporated, which holds approximately 76% of the Company's issued share capital on trust for the Government of the Hong Kong SAR, is the majority shareholder of the Company. Transactions between the Group and Government departments, agencies or Government controlled entities, other than those transactions arising in the normal dealings between the Government and the Group, are considered to be related party transactions pursuant to SSAP 20 "Related party disclosures" and are identified separately in this interim financial report.

The Group has had the following material transactions with Government and other related parties during the half-year ended 30 June 2004:

<i>in HK\$ million</i>	Balance at 1 January 2004 (Audited)	Increased / (Decreased)	<b>Balance at 30 June 2004 (Unaudited)</b>
Amounts due from related parties in respect of infrastructure entrustment works:			
– the Government	68	(16)	<b>52</b>
– the Housing Authority	11	–	<b>11</b>
– the Kowloon-Canton Railway Corporation	3	(3)	–
Amount due from non-controlled subsidiary	2	(2)	–
	<b>84</b>	<b>(21)</b>	<b>63</b>
Amounts due to related parties in respect of railway project works entrusted to:			
– the Government	113	(113)	–
– the Airport Authority	48	(48)	–
– the Kowloon-Canton Railway Corporation	–	2	<b>2</b>
Amount due to non-controlled subsidiary	–	3	<b>3</b>
	<b>161</b>	<b>(156)</b>	<b>5</b>

During the period, the following dividends were paid to or waived by the Government:

<i>in HK\$ million</i>	<b>Half-year ended 30 June 2004 (Unaudited)</b>	Half-year ended 30 June 2003 (Unaudited)
Cash dividend paid	<b>420</b>	–
Cash dividend waived	<b>37</b>	441
Shares allotted in respect of scrip dividends	<b>673</b>	659
	<b>1,130</b>	1,100

In connection with the construction of the Disneyland Resort Line (previously known as Penny's Bay Rail Link), the Government agreed to provide financial support to the Company in order to bridge the funding gap between the Company's required rate of return of 11.25% per annum and the projected return of the project. Such financial support, which amounted to HK\$798 million at net present value on 1 January 2002, has been settled by the Government through waivers of its entitlement to cash dividends in respect of its shareholding commencing from the financial year ended 31 December 2002 and thereafter. Such financial support has been fulfilled following Government's waiver of HK\$37 million in respect of the final dividend for the financial year ended 31 December 2003 in the current reporting period.

During the half-year ended 30 June 2004, the Group also had the following transactions with its non-controlled subsidiary, Octopus Cards Limited ("OCL"):

<i>in HK\$ million</i>	<b>Half-year ended 30 June 2004 (Unaudited)</b>	Half-year ended 30 June 2003 (Unaudited)
Payment to OCL in respect of central clearing services	<b>25</b>	21
Fees received from OCL in respect of load agency services, card issuance and refund services and management services	<b>9</b>	6

## 10 Creditors, accrued charges and provisions

Creditors, accrued charges and provisions are mainly related to capital projects which are settled upon certification of work in progress and swap interest payable. The Group has no significant balances of trade creditors resulting from its provision of transportation services.

The analysis of creditors by due dates is as follows:

<i>in HK\$ million</i>	<b>At 30 June 2004 (Unaudited)</b>	At 31 December 2003 (Audited)
Due within 30 days or on demand	545	541
Due after 30 days but within 60 days	464	590
Due after 60 days but within 90 days	53	75
Due after 90 days	1,599	1,767
	<b>2,661</b>	2,973
Rental and other refundable deposits	567	297
Accrued employee benefits	133	150
Total	<b>3,361</b>	3,420

## 11 Bonds and notes issued and redeemed

Bonds and notes issued by the Group during the half-years ended 30 June 2004 and 2003 comprise:

<i>in HK\$ million</i>	<b>Half-year ended 30 June 2004</b>		Half-year ended 30 June 2003	
	Principal amount	Net consideration received	Principal amount	Net consideration received
	<b>(Unaudited)</b>		(Unaudited)	
Debt issuance programme notes	<b>4,658</b>	<b>4,610</b>	1,600	1,593

The above notes were issued by a subsidiary, MTR Corporation (C.I.) Limited. The notes issued are unconditionally and irrevocably guaranteed by the Company; and are direct, unsecured, unconditional and unsubordinated to other unsecured and unsubordinated obligations of MTR Corporation (C.I.) Limited. The obligations of the Company under the guarantee are direct, unsecured, unconditional, and unsubordinated to other unsecured and unsubordinated obligations of the Company. The net proceeds received from the issues were on lent to the Company for general working capital, refinancing or other corporate purposes.

During the period, the Group redeemed HK\$3,365 million (2003: Nil) unlisted Hong Kong dollar notes upon maturity.

## 12 Share capital, share premium and capital reserve

<i>in HK\$ million</i>	<b>At 30 June 2004 (Unaudited)</b>	At 31 December 2003 (Audited)
Authorised:		
6,500,000,000 shares of HK\$1.00 each	<b>6,500</b>	6,500
Issued and fully paid:		
5,356,898,735 shares (2003: 5,288,695,393 shares) of HK\$1.00 each	<b>5,357</b>	5,289
Share premium	<b>3,333</b>	2,609
Capital reserve	<b>27,188</b>	27,188
	<b>35,878</b>	35,086

## 12 Share capital, share premium and capital reserve (continued)

Pursuant to the Articles of Association of the Company, the capital reserve can only be applied in paying up in full unissued shares to be allotted and distributed as fully paid bonus shares to the shareholders of the Company.

Share premium represents the amount by which the issue price of shares exceeds the par value of those shares. The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

New shares issued and fully paid up during the period comprise:

	Number of shares	Option / scrip price HK\$	Proceeds credited to		Total HK\$ million
			Share capital account HK\$ million	Share premium account HK\$ million	
Employee share options exercised	6,134,000	8.44	6	46	52
Issued as 2003 final scrip dividends	62,069,342	11.93	62	678	740
	68,203,342		68	724	792

During the half-year ended 30 June 2004, no options was vested and a total of 6,134,000 previously vested share options have been exercised. The weighted average closing price in respect of the share options exercised during the period was HK\$12.13 per share. During the period, there were no share options lapsed and as at 30 June 2004, total options to subscribe for 19,095,500 shares and 1,561,200 shares under the Pre-Global Offering Share Option Scheme and the New Joiners Share Option Scheme respectively remained outstanding. Details of the movements in respect of these schemes during the half-year ended 30 June 2004 are set out under the Corporate Governance and Other Information section on page 12.

## 13 Other reserves

<i>in HK\$ million</i>	Investment property revaluation reserve	Fixed asset revaluation reserve	Retained profits	Total
<b>30 June 2004 (Unaudited)</b>				
Balance as at 1 January 2004	6,682	18	15,506	22,206
Dividend paid	–	–	(1,481)	(1,481)
Profit for the period	–	–	1,175	1,175
Balance as at 30 June 2004	6,682	18	15,200	21,900
<b>31 December 2003 (Audited)</b>				
Balance as at 1 January 2003	6,406	24	13,234	19,664
Dividends paid	–	–	(2,178)	(2,178)
Surplus/(Deficits) on revaluation, net of deferred tax	276	(6)	–	270
Profit for the year	–	–	4,450	4,450
Balance as at 31 December 2003	6,682	18	15,506	22,206

The investment property and fixed asset revaluation reserves are not available for distribution to shareholders because they do not constitute realised profits. As at 30 June 2004, the total amount of reserves available for distribution to shareholders under the Hong Kong Companies Ordinance amounted to HK\$14,959 million (2003: HK\$15,305 million).

## 14 Capital commitments

i Outstanding capital commitments as at 30 June 2004 not provided for in the accounts were as follows:

<i>in HK\$ million</i>	Railway operations	Disneyland Resort Line and Tung Chung Cable Car Projects	Property development projects	Total
<b>At 30 June 2004 (Unaudited)</b>				
Authorised but not yet contracted for	637	–	1,715	2,352
Authorised and contracted for	1,175	699	123	1,997
	<b>1,812</b>	<b>699</b>	<b>1,838</b>	<b>4,349</b>
At 31 December 2003 (Audited)				
Authorised but not yet contracted for	470	–	1,817	2,287
Authorised and contracted for	892	941	70	1,903
	1,362	941	1,887	4,190

Included in the amounts authorised but not yet contracted for are costs that will not be subject to capital contracts such as staff costs, overhead expenses and capitalised interest.

ii The commitments under railway operations comprise the following:

<i>in HK\$ million</i>	Improvement and enhancement works	Acquisition of property, plant and equipment	Total
<b>At 30 June 2004 (Unaudited)</b>			
Authorised but not yet contracted for	507	130	637
Authorised and contracted for	333	842	1,175
	<b>840</b>	<b>972</b>	<b>1,812</b>
At 31 December 2003 (Audited)			
Authorised but not yet contracted for	348	122	470
Authorised and contracted for	394	498	892
	742	620	1,362

iii Commitments in respect of jointly controlled operations have been included in the commitments for Property Development Projects above and were as follows:

<i>in HK\$ million</i>	At 30 June 2004 (Unaudited)	At 31 December 2003 (Audited)
Authorised but not yet contracted for	1,715	1,931
Authorised and contracted for	115	57
	<b>1,830</b>	<b>1,988</b>

## 15 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

## 16 Approval of interim financial report

The interim financial report was approved by the Board on 3 August 2004.

# Independent review report

## **To The Board of Directors of MTR Corporation Limited**

### **Introduction**

We have been instructed by the company to review the interim financial report set out on pages 16 to 27.

### **Respective responsibilities of directors and auditors**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2004.

KPMG  
Certified Public Accountants  
Hong Kong, 3 August 2004

# Key shareholder information

## Financial calendar 2004

Announcement of 2004 interim results	3 August
Last day to register for 2004 interim dividend	27 August
Book closure period	30 August to 3 September
2004 interim dividend payment date	28 October (around)
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

[www.mtr.com.hk](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 JP Morgan Chase Bank. The shares are also quoted on the London SEAQ International System.

### Ordinary shares (as at 30 June 2004):

Shares outstanding: 5,356,898,735 shares  
Hong Kong SAR Government shareholding: 4,092,836,126 shares (76.40%)  
Free float: 1,264,062,609 shares (23.60%)

**Nominal value** HK\$1 per share

**Market capitalisation** (as at 30 June 2004): HK\$63,211 million

### 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 around October and June respectively, with the interim dividend representing approximately one third of the total dividends to be paid for the entire year.

### Dividend per share (in HK\$)

2002 Final Dividend	0.28
2003 Interim Dividend	0.14
2003 Final Dividend	0.28
2004 Interim Dividend	0.14

### ADR Level 1 Programme

Ordinary share to ADR ratio	10:1
Depository Bank	JP Morgan Chase Bank 40th Floor, One Chase Manhattan Plaza, New York, NY 10081 USA

## Index constituent

MTR Corporation Limited is a constituent of the following indices:

Hang Seng Index Series  
MSCI Index Series  
FTSE All-World Hong Kong Index  
FTSE4Good Index  
Dow Jones Sustainability Index

## Stock codes

### Ordinary shares

The Stock Exchange of Hong Kong	66
Reuters	0066.HK
Bloomberg	66 HK
CUSIP Reference Number	Y5896Y104
Sedol Reference Number	6290054

**ADR Level 1 Programme** MTRUY

## Interim report 2004

Our interim report is available in both English and Chinese.

Shareholders can obtain copies by writing to:

Computershare Hong Kong Investor Services Limited,  
Rooms 1901–1905, 19th Floor, Hopewell Centre,  
183 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 annual/interim reports and accounts are also available online at our corporate website at [www.mtr.com.hk](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:

Computershare Hong Kong Investor Services Limited,  
Rooms 1901–1905, 19th Floor, 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 securities analysts, please contact:

Investor Relations Department, MTR Corporation Limited  
MTR Tower, Telford Plaza, Kowloon Bay, Hong Kong  
Email: [investor@mtr.com.hk](mailto:investor@mtr.com.hk)



MTR Corporation Limited  
MTR Tower, Telford Plaza,  
Kowloon Bay, Hong Kong  
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