

CORPORATE GOVERNANCE AND OTHER INFORMATION

MEMBERS OF THE BOARD, THE BOARD COMMITTEES AND THE EXECUTIVE DIRECTORATE

List of Members of the Board and the Executive Directorate and their Roles and Functions (as at 9 August 2018)

	Board Committees						
	Executive Committee	Audit Committee	Nominations Committee	Remuneration Committee	Capital Works Committee	Risk Committee	Corporate Responsibility Committee
Members of the Board							
Non-executive Directors							
Professor Frederick Ma Si-hang (Chairman)			M	M			C
James Henry Lau Jr (Secretary for Financial Services and the Treasury)			M	M			
Secretary for Transport and Housing (Frank Chan Fan)			M	M			
Permanent Secretary for Development (Works) (Hon Chi-keung)					M ⁽¹⁾	M	
Commissioner for Transport (Mable Chan)		M				M	
Independent Non-executive Directors ("INED")							
Andrew Clifford Winawer Brandler		M					C
Dr Pamela Chan Wong Shui			M				M
Dr Dorothy Chan Yuen Tak-fai				C	M		
Vincent Cheng Hoi-chuen				M			M
Anthony Chow Wing-kin				M			
Dr Eddy Fong Ching	C		M				
James Kwan Yuk-choi					M	M	
Lau Ping-cheung, Kaizer					M		M
Rose Lee Wai-mun	M					M	
Lucia Li Li Ka-lai	M						M
Abraham Shek Lai-him			C		M		
Benjamin Tang Kwok-bun				M		M	
Dr Allan Wong Chi-yun			M		C		
Johannes Zhou Yuan		M				M	
Executive Director							
Lincoln Leong Kwok-kuen ⁽²⁾ (Chief Executive Officer)	C						M
Members of the Executive Directorate							
Lincoln Leong Kwok-kuen ⁽²⁾ (Chief Executive Officer)	C						M
Dr Jacob Kam Chak-pui ⁽³⁾ (Managing Director-Operations and Mainland Business)	M						
Margaret Cheng Wai-ching (Human Resources Director)	M						M
Dr Peter Ronald Ewen (Engineering Director)	M						
Herbert Hui Leung-wah (Finance Director)	M						
Adi Lau Tin-shing (Operations Director)	M						
Gillian Elizabeth Meller (Legal and European Business Director)	M						
Linda So Ka-pik (Corporate Affairs Director)	M						M
David Tang Chi-fai (Property Director)	M						
Jeny Yeung Mei-chun (Commercial Director)	M						

C: Chairman of the committee
M: Member of the committee

Notes

- Note 4 on page 118 of the Annual Report 2017 reported that the number of Capital Works Committee meetings attended by the Alternate Director of Mr Hon Chi-keung in 2017 was one when, in fact, he attended two meetings during that period.
- Mr Lincoln Leong Kwok-kuen notified the Company on 7 August 2018 of his wish to retire early from his role as Chief Executive Officer and as a Member of the Board, the Corporate Responsibility Committee and the Executive Directorate of the Company. The Board has mutually agreed with Mr Leong that his retirement will only be effective once a replacement Chief Executive Officer has reported for duty.
- With effect from 7 August 2018, Dr Jacob Kam Chak-pui has taken up managerial oversight of the Projects Division of the Company until such time as a new Projects Director is appointed and has reported for duty.

Corporate governance is the collective responsibility of Members of the Board and the Board firmly believes that good corporate governance is fundamental in ensuring the proper management of the Company in the interests of all of its stakeholders. The Board continues to seek to identify and formalise best practices for adoption by the Company.

CORPORATE GOVERNANCE CODE COMPLIANCE

During the six month period ended 30 June 2018, the Company has complied with the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BUSINESS ETHICS

Practising integrity and responsible business ethics is paramount to the Company's continued success. The Company's Code of Conduct lays down the requirements of the Company in terms of ethical practices and obliges staff to operate transparently and under the highest principles of fairness, impartiality and integrity in all of the places where the Company does business.

The Code of Conduct is reviewed and updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements. Following a regular review in 2017, the revised Code of Conduct has been released to all staff in early May 2018. Education programmes including seminars and mandatory computer-based training programs are in place to raise staff awareness. Staff members are also encouraged to report existing or perceived violations or malpractices. Proper procedures have already been put in place pursuant to the whistle-blowing policy of the Company, under which staff members can raise their concerns in a safe environment and in complete confidence if they have genuine suspicions about wrongdoings.

To enable new recruits to embrace the Company's values and ethical commitments, they will be briefed on the Code of Conduct as part of the staff induction programmes. The Code of Conduct is also uploaded onto the Company's website (www.mtr.com.hk).

In addition, the Code of Conduct serves as a guideline to establish a comparable ethical culture in our subsidiaries and associates in Hong Kong, the Mainland of China and overseas.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code"). After having made specific enquiry, the Company confirms that all Members of the Board and (where applicable) their Alternate Directors, and all Members of the Executive Directorate have complied with the Model Code throughout the six month period ended 30 June 2018.

Senior managers, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) of the Company, have also been requested to comply with the provisions of the Model Code.

CHANGES DURING THE PERIOD FROM 1 JANUARY 2018 TO 9 AUGUST 2018

Changes in Composition of the Board

1. Mr Andrew Clifford Winawer Brandler, an INED of the Company and a Member of each of the Audit Committee and the Risk Committee of the Company, was appointed as the Chairman of the Risk Committee of the Company, with effect after the conclusion of the Annual General Meeting held on 16 May 2018 (the "2018 AGM").
2. Ms Rose Lee Wai-mun was elected as a new Board Member and has become an INED of the Company after the conclusion of the 2018 AGM, and has been appointed by the Board as a Member of each of the Audit Committee and the Risk Committee of the Company with effect from the same time.
3. Mr Alasdair George Morrison retired as an INED of the Company, and ceased to be the Chairman of the Risk Committee and a Member of the Audit Committee of the Company, with effect after the conclusion of the 2018 AGM.

Changes in Composition of the Executive Directorate

1. Mr Morris Cheung Siu-wa ceased to be the President of MTR Academy and a Member of the Executive Directorate of the Company, upon expiry of his service contract with the Company, with effect from 17 July 2018.
2. Dr Philco Wong Nai-keung resigned as Projects Director and ceased to be a Member of the Executive Directorate of the Company, with effect from 7 August 2018.

Changes in Information of Directors

Changes in information of Directors required to be disclosed pursuant to the Listing Rules are set out below:

(i) Changes in Biographical Details

Name of Director	Changed Information	Nature and Effective Date of Change
Members of the Board		
Professor Frederick Ma Si-hang	Chief Executive's Council of Advisers on Innovation and Strategic Development (Hong Kong) • Non-official Member	Appointment (21 March 2018)
James Henry Lau Jr	New Frontier Corporation • Director Nominee (Independent)	Appointment (27 June 2018)
Secretary for Transport and Housing (Frank Chan Fan)	The Hong Kong Mortgage Corporation Limited • Non-executive Director	Appointment (19 April 2018)
Permanent Secretary for Development (Works) (Hon Chi-keung)	The Hong Kong Mortgage Corporation Limited • Non-executive Director	Appointment (19 April 2018)
Dr Pamela Chan Wong Shui	Gold Bauhinia Star medal awarded by the Chief Executive of the Hong Kong Special Administrative Region (the "HKSAR")	Award (1 July 2018)
	City University of Hong Kong • Chairman of the Advisory Committee of the Department of Social Behavioural Sciences	Appointment (1 January 2018)
	The Insurance Complaints Bureau (Hong Kong) • Chairman	Appointment (16 January 2018)
	Judicial Officers Recommendation Commission (Hong Kong) • Member	Appointment (1 July 2018)
Vincent Cheng Hoi-chuen	China Minsheng Banking Corp., Ltd. • Independent Non-executive Director	Cessation (21 June 2018)
Anthony Chow Wing-kin	Ping An Healthcare and Technology Company Limited • Independent Non-executive Director	Appointment (4 May 2018)
Lau Ping-cheung, Kaizer	Chinese People's Political Consultative Conference of Shanghai • Member	Cessation (January 2018)
	National Committee of the Chinese People's Political Consultative Conference • Member	Appointment (March 2018)
	Economic Development Commission (Hong Kong) • Member	Cessation (March 2018)
Rose Lee Wai-mun	Hang Seng Management College • Chairman of the Board of Governors	Cessation (1 July 2018)
Lucia Li Li Ka-lai	Public Service Commission of the Government of the HKSAR • Member	Cessation (1 February 2018)
Abraham Shek Lai-him	Everbright Grand China Assets Limited • Independent Non-executive Director	Appointment (16 January 2018)
	Midas International Holdings Limited • Independent Non-executive Director	Cessation (26 January 2018)
	CSI Properties Limited • Independent Non-executive Director	Appointment (20 July 2018)
Benjamin Tang Kwok-bun	Independent Commission Against Corruption (Hong Kong) • Chairman of the Operations Review Committee • Member of the Advisory Committee on Corruption	Appointment (1 January 2018) Appointment (1 January 2018)
Members of the Executive Directorate		
Lincoln Leong Kwok-kuen	The Community Chest of Hong Kong • Member of the Board of Directors	Cessation (26 June 2018)
Dr Jacob Kam Chak-pui	The Community Chest of Hong Kong • Member of the Board of Directors	Appointment (26 June 2018)
Margaret Cheng Wai-ching	The Standing Committee on Disciplined Services Salaries and Conditions of Service of the Government of the HKSAR • Chairman of the Police Sub-Committee	Appointment (1 January 2018)
	Labour and Welfare Bureau (Hong Kong) • Member of the Manpower Development Committee	Cessation (1 April 2018)
	Hong Kong Institute of Human Resource Management • President of the Executive Council • Vice President of the Executive Council	Appointment (13 July 2018) Cessation (13 July 2018)
Adi Lau Tin-shing	Ngong Ping 360 Limited • Chairman of the board	Cessation (1 January 2018)
Gillian Elizabeth Meller	The Hong Kong Institute of Chartered Secretaries • Vice-President	Appointment (1 March 2018)
Dr Philco Wong Nai-keung (Resigned on 7 August 2018)	Construction Industry Council • Council Member	Cessation (1 February 2018)
	The Hong Kong Institution of Engineers • President of the Council • Senior Vice-President of the Council	Appointment (21 June 2018) Cessation (21 June 2018)
Jeny Yeung Mei-chun	Ngong Ping 360 Limited • Chairman of the board	Appointment (1 January 2018)
	Hong Kong Cyberport Management Company Limited • Director	Cessation (1 April 2018)

Full biographical details of the Directors are available on the Company's website (www.mtr.com.hk).

(ii) Changes in Directors' Remuneration

Mr Andrew Brandler has become the Chairman (previously a member) of the Company's Risk Committee with effect from 16 May 2018. Accordingly, the annual fee receivable by him has changed from HK\$450,000 to HK\$500,000 with effect from the same date. The actual fees receivable by him for the year ending 31 December 2018 will be calculated on a pro rata basis.

INDUCTION PROGRAMME, TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment, each new Member of the Board (including Government nominated Directors), Alternate Director and Member of the Executive Directorate is given a comprehensive, formal and tailored induction programme which covers:

- the roles of a director from the strategic, planning and management perspectives, as well as the essence of corporate governance and the trends in these areas; and
- the general and specific duties of a director under general law (common law and legislation) and the Listing Rules.

In addition to the above, a familiarization programme to understand the key areas of the Company's business and operations is also provided.

Both induction and familiarization programmes have been provided to Ms Rose Lee Wai-mun, the new Board Member.

To assist Members of the Board and the Executive Directorate in continuing their professional development, the Company Secretary recommends them to attend relevant seminars and courses at the cost of the Company.

Save for the above, Board training and materials on the subject of corporate governance are also provided to Members of the Board, Alternate Directors and Members of the Executive Directorate from time to time to keep them abreast of latest developments on this front.

BOARD MEETINGS

The Board held seven meetings (three Regular Meetings, two Special Meetings and two Private Meetings) during the six month period ended 30 June 2018.

Regular Meetings

At each of these Regular Meetings, the Board reviewed, discussed and, where appropriate, approved matters relating to the Company's different businesses and financial performance. In addition, other key matters discussed at these Regular Meetings included:

- Corporate Governance matters, including:
 - Approval of Directors' Manual updates;
 - Review of the structure, size and composition of the Board;
 - Review of the Board's corporate governance functions;
 - Review of Enterprise Risk Management Annual Report 2017;
 - Review of the effectiveness of the Company's risk management and internal control systems;
 - Assessment of the independence of the INEDs;
 - Receipt of the proceedings of various Board Committee meetings and MTR Academy Council meeting;
 - Receipt of shareholder analysis and investors' feedback;
 - Approval of Sustainability Report 2017; and
 - Receipt of Corporate Safety Governance Annual Report 2017;
- 2018 AGM:
 - Recommendation of the election / re-election of Retiring Members of the Board; and
 - Recommendation of the election of a new Member of the Board;
- Operations:
 - Receipt of updates on proposed enhancements to the operations of certain railway lines;
 - Receipt of updates on signalling replacement and Works Management Office projects; and
 - Approval of asset replacement and upgrading projects;

CORPORATE GOVERNANCE AND OTHER INFORMATION

- Projects:
 - Approval of the Company's proposals to Government for various railway projects under the Railway Development Strategy 2014;
- Mainland China and International Business:
 - Receipt of updates on business opportunities in Mainland China;
 - Approval of tender submission for a railway project in overseas; and
 - Approval of additional investment in an Australian project;
- Property:
 - Approval of a property development tender award in Hong Kong;
- Commercial and Marketing:
 - Review of the principles for revising the Company's fares under the Fare Adjustment Mechanism (the "FAM");
 - Approval of the Controlled Fares for 2018 under the FAM;
 - Approval of tender award for Duty Free Shops at West Kowloon Station; and
 - Approval of entry into a contract for the Operations and Maintenance of Macau Light Rapid Transit Taipa Line;
- Financial:
 - Approval of 2017 Annual Report and Accounts; and
 - Receipt of Ngong Ping 360 Limited 2017 annual results.

Special Meetings

Two special meetings were held to consider matters relating to the Shatin to Central Link project.

Private Meetings

A private meeting was held in March 2018 to review the management organization of the Executive Directorate, which the Chief Executive Officer, the Legal and European Business Director and the Human Resources Director were invited to attend.

Another private meeting was held in June 2018 to consider matters relating to the Shatin to Central Link project, which the Chief Executive Officer, the Projects Director and the Corporate Affairs Director were invited to attend.

COMMUNICATION WITH SHAREHOLDERS

Annual General Meeting

The Company's 2018 AGM was held on 16 May 2018. The Chairman continued his practice of proposing separate resolutions for each substantially separate matter.

A total of 12 resolutions were passed at the 2018 AGM (with resolution no. 3 comprising six separate resolutions), each supported by over 99% of the votes cast. The full text of the resolutions is set out in the 2018 AGM Circular (which comprised Notice of the 2018 AGM) dated 12 April 2018.

All resolutions at the 2018 AGM were passed by way of a poll, and the poll results were posted on the websites of both the Company (www.mtr.com.hk) and The Stock Exchange of Hong Kong Limited (the "HKSE") on the same day after the 2018 AGM.

For the benefit of the Company's shareholders who did not attend the 2018 AGM, the whole proceedings were webcast and posted on the Company's website (www.mtr.com.hk) in the same evening.

CONSTITUTIONAL DOCUMENT

The Company's Articles of Association (in both English and Chinese) are available on the websites of both the Company (www.mtr.com.hk) and the HKSE. During the six month period ended 30 June 2018, there was no change to the Company's Articles of Association.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the interests or short positions of the Members of the Board and the Executive Directorate in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the 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, were as follows:

Members of the Board/ Alternate Director/ Members of the Executive Directorate	No. of Ordinary Shares held				No. of Share Options [#]	No. of Share Awards [#]	Total interests	Percentage of aggregate interests to total no. of voting shares in issue ^Δ
	Personal interests*	Family interests [†]	Other interests	Corporate interests	Personal interests*	Personal interests*		
Professor Frederick Ma Si-hang	–	270,000 (Note 1)	270,000 (Note 1)	–	–	–	270,000	0.00449
Lincoln Leong Kwok-kuen	1,517,467	–	–	23,000 (Note 2)	–	457,468	1,997,935	0.03325
Dr Pamela Chan Wong Shui	9,051	1,675 (Note 3)	–	–	–	–	10,726	0.00018
Vincent Cheng Hoi-chuen	1,675	1,675 (Note 4)	–	–	–	–	3,350	0.00006
Lucia Li Li Ka-lai	–	1,614 (Note 5)	2,215 (Note 5)	–	–	–	3,829	0.00006
Mak Shing-cheung	558	8,058 (Note 6)	–	–	–	–	8,616	0.00014
Dr Raymond So Wai-man	–	1,675 (Note 7)	–	–	–	–	1,675	0.00003
Dr Jacob Kam Chak-pui	258,121	–	–	–	–	97,884	356,005	0.00592
Margaret Cheng Wai-ching	57,204	–	–	–	–	126,969	184,173	0.00306
Morris Cheung Siu-wa (Note 8)	86,827	–	–	–	–	23,134	109,961	0.00183
Dr Peter Ronald Ewen	37,599	–	–	–	–	72,734	110,333	0.00184
Herbert Hui Leung-wah	32,861	2,233 (Note 9)	–	–	–	74,784	109,878	0.00183
Adi Lau Tin-shing	73,776	–	–	–	26,000	81,500	181,276	0.00302
Gillian Elizabeth Meller	87,029	–	–	–	–	83,068	170,097	0.00283
Linda So Ka-pik	56,235	–	–	–	–	80,318	136,553	0.00227
David Tang Chi-fai	169,396	–	–	–	–	84,784	254,180	0.00423
Dr Philco Wong Nai-keung (Note 10)	95,197	–	–	–	55,000	92,285	242,482	0.00403
Jeny Yeung Mei-chun	646,786	–	–	–	–	85,884	732,670	0.01219

Notes

- The 270,000 shares were indirectly held by The Ma Family Trust established by Professor Frederick Ma Si-hang for himself and his family of which his spouse was also a beneficiary.
- The 23,000 shares were held by Linsan Investment Ltd., a private limited company beneficially wholly owned by Mr Lincoln Leong Kwok-kuen.
- The 1,675 shares were held by Dr Pamela Chan Wong Shui's spouse.
- The 1,675 shares were held by Mr Vincent Cheng Hoi-chuen's spouse.
- The 1,614 shares were held by Mrs Lucia Li Li Ka-lai's spouse and the 2,215 shares were jointly held by Mrs Li and her spouse.
- The 8,058 shares were held by Mr Mak Shing-cheung's spouse.
- The 1,675 shares were held by Dr Raymond So Wai-man's spouse.
- Mr Morris Cheung Siu-wa ceased to be the President of MTR Academy and a Member of the Executive Directorate of the Company, with effect from 17 July 2018.
- The 2,233 shares were held by Mr Herbert Hui Leung-wah's spouse.
- Dr Philco Wong Nai-keung resigned as Projects Director and ceased to be a Member of the Executive Directorate of the Company, with effect from 7 August 2018.

Details of the Share Options and Share Awards are set out in the sections headed "2007 Share Option Scheme" and "Executive Share Incentive Scheme" respectively on pages 43 to 45

* Interests as beneficial owner

† Interests of spouse or child under 18 as beneficial owner

Δ The Company's total number of voting shares in issue as at 30 June 2018 was 6,009,714,802

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above and in the sections headed “2007 Share Option Scheme” and “Executive Share Incentive Scheme”:

- A as at 30 June 2018, no Member of the Board or the 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 month period ended 30 June 2018, no Member of the Board or the 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Set out below is the name of the party which was interested in 5% or more of all the Company's voting shares in issue and the number of shares in which it was interested as at 30 June 2018 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 all the voting shares in issue ^A
The Financial Secretary Incorporated (“FSI”) (in trust on behalf of Government)	4,517,196,134	75.16%

^A The Company's total number of voting shares in issue as at 30 June 2018 was 6,009,714,802

The Company has been informed by the Hong Kong Monetary Authority that, as at 30 June 2018, approximately 0.42% of the ordinary shares of the Company in issue (not included in the FSI shareholding set out in the above table) 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.

OTHER PERSONS' INTERESTS

Pursuant to section 337 of the SFO, the Company has maintained a register recording the shareholding information provided by persons in response to the Company's requests pursuant to section 329 of the SFO.

Save as disclosed above and in the sections headed “Directors' Interests in Shares and Underlying Shares of the Company” and “Substantial Shareholders' Interests”, as at 30 June 2018, the Company has not been notified of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

2007 SHARE OPTION SCHEME

Movements in the outstanding share options to subscribe for ordinary shares of the Company granted under the 2007 Share Option Scheme during the six month period ended 30 June 2018 are set out below:

Members of the Executive Directorate and eligible employees	Date granted	Options granted (Notes 1 to 3)	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2018	Options vested during the period	Options lapsed during the period	Options exercised during the period	Exercise price per share of options (HK\$)	Options outstanding as at 30 June 2018	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Adi Lau Tin-shing	30/5/2014	80,000	23/5/2015 – 23/5/2021	26,000	–	–	–	28.65	26,000	–
Dr Philco Wong Nai-keung (Note 4)	30/5/2014	83,000	23/5/2015 – 23/5/2021	55,000	–	–	–	28.65	55,000	–
Other eligible employees	30/3/2012	15,868,500	23/3/2013 – 23/3/2019	1,793,500	–	–	292,000	27.48	1,501,500	43.63
	6/5/2013	20,331,500	26/4/2014 – 26/4/2020	4,014,500	–	–	378,000	31.40	3,636,500	43.69
	30/5/2014	19,812,500	23/5/2015 – 23/5/2021	7,905,000	–	–	1,267,500	28.65	6,637,500	43.92

Notes

- 1 No option may be exercised later than seven years after its date of offer and no option may be offered to be granted more than seven years after the adoption of the 2007 Share Option Scheme on 7 June 2007. The 2007 Share Option Scheme expired at 5.00 p.m. on 6 June 2014, with no further option granted since then.
- 2 The exercise price of the share options is determined upon the offer of grant of the options and should not be less than the greatest of (a) the average closing price per share of the Company for the five business days immediately preceding the date of offer of such options; (b) the closing price per share of the Company on the date of offer of such options, which must be a business day; and (c) the nominal value per share of the Company immediately before 3 March 2014.
- 3 The share options granted were subject to a vesting schedule in tranches of one-third each per annum starting from the first anniversary of the date of offer of the options (the "Offer Anniversary") and became fully vested on the third Offer Anniversary.
- 4 Dr Philco Wong Nai-keung resigned as Projects Director and ceased to be a Member of the Executive Directorate of the Company, with effect from 7 August 2018.

EXECUTIVE SHARE INCENTIVE SCHEME

The Company adopted the Executive Share Incentive Scheme (formerly the "2014 Share Incentive Scheme") on 15 August 2014. The purposes of the Executive Share Incentive Scheme are to retain management and key employees, to align participants' interests with the long-term success of the Company and to drive the achievement of strategic objectives of the Company.

The Remuneration Committee may, from time to time, at its absolute discretion, determine the criteria for any eligible employee to participate in the Executive Share Incentive Scheme as award holders in accordance with the rules of the Executive Share Incentive Scheme. An award holder may be granted an award of Restricted Shares and/or Performance Shares (together, the "Award Shares").

Restricted Shares are awarded taking into account the individual performance of the relevant eligible employee and vested ratably over three years in equal tranches (unless otherwise determined by the Remuneration Committee). Performance Shares are awarded to eligible employees generally on a three-year performance cycle ("Performance Period"), subject to review and approval by the Remuneration Committee from time to time. The vesting of the Performance Shares is subject to the performance of the Company, assessed by reference to certain pre-determined performance metrics approved by the Board for the relevant Performance Period and such other performance conditions as determined by the Remuneration Committee from time to time.

The Award Shares to be granted under the Executive Share Incentive Scheme are issued ordinary shares in the share capital of the Company. In general, the Company will pay to the third party trustee (the "Trustee") monies and may give directions or a recommendation to the Trustee to apply such amount of monies and/or such other net amount of cash derived from the ordinary shares of the Company held as part of the funds of the trust to acquire existing ordinary shares of the Company from the market. Such ordinary shares will be held on trust by the Trustee for the relevant award holders. The Trustee shall not exercise any voting rights in respect of any ordinary shares of the Company held in the trust and no award holder is entitled to instruct the Trustee to exercise the voting rights in respect of any unvested Award Shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION

As part of the overall governance of the Executive Share Incentive Scheme, the Company reviews scheme features on a regular basis to ensure continued relevance and effectiveness. In 2017, the Company appointed an independent consultant to conduct a review of the Executive Share Incentive Scheme and obtained the Remuneration Committee's approval on certain refinements which have come into effect on 1 January 2018. Changes include the renaming of the 2014 Share Incentive Scheme to become "Executive Share Incentive Scheme" and entitlement of award holders to cash dividends accrued in respect of unvested Restricted Shares that are granted on or after 1 January 2018. Certain administrative provisions of the scheme rules have also been updated to streamline the administration of the Executive Share Incentive Scheme.

The maximum number of Award Shares that may at any time be the subject of an outstanding award granted under the Executive Share Incentive Scheme shall not exceed 2.5% of the number of issued ordinary shares of the Company as at 1 January 2015, the effective date of the Executive Share Incentive Scheme (the "Effective Date").

During the six month period ended 30 June 2018, the Performance Shares awarded for the previous Performance Period (2015 to 2017) were vested to the eligible employees and new Performance Shares were awarded to the eligible employees in April 2018 for the Performance Period from 2018 to 2020. For the six month period ended 30 June 2018, a total of 4,061,850 Award Shares (2017: 2,357,400 Award Shares) were awarded under the Executive Share Incentive Scheme. As at 30 June 2018, a total of 6,212,053 Award Shares (2017: 6,321,463 Award Shares) were neither vested, lapsed nor had been forfeited, representing 0.11% of the issued ordinary shares of the Company (2017: 0.11%) as at the Effective Date.

The particulars of the Award Shares granted are as follows:

Members of the Executive Directorate and eligible employees	Date of award	Types of Award Shares granted		Award Shares outstanding as at 1 January 2018	Award Shares vested during the period	Award Shares lapsed and/or forfeited during the period	Award Shares outstanding as at 30 June 2018
		Restricted Shares	Performance Shares				
Lincoln Leong Kwok-kuen	27/4/2015	60,200	255,000	275,068	252,803	22,265	–
	8/4/2016	64,850	–	43,234	21,616	–	21,618
	10/4/2017	63,900	–	63,900	21,300	–	42,600
	16/3/2018	80,000	–	–	–	–	80,000
	10/4/2018	73,300	239,950	–	–	–	313,250
Dr Jacob Kam Chak-pui	27/4/2015	22,050	57,600	64,950	59,920	5,030	–
	8/4/2016	21,550	–	14,367	7,183	–	7,184
	10/4/2017	22,050	–	22,050	7,350	–	14,700
	10/4/2018	25,550	50,450	–	–	–	76,000
Margaret Cheng Wai-ching	19/8/2016	71,428	–	47,619	–	–	47,619
	10/4/2017	16,950	30,400	47,350	33,395	2,655	11,300
	10/4/2018	17,600	50,450	–	–	–	68,050
Morris Cheung Siu-wa (Note 1)	27/4/2015	–	28,800	28,800	26,285	2,515	–
	8/4/2016	14,950	–	9,967	4,983	–	4,984
	10/4/2017	13,950	–	13,950	4,650	–	9,300
	10/4/2018	8,850	–	–	–	–	8,850
Dr Peter Ronald Ewen	8/4/2016	–	35,700	35,700	32,583	3,117	–
	10/4/2017	15,050	–	15,050	5,016	–	10,034
	10/4/2018	12,250	50,450	–	–	–	62,700
Herbert Hui Leung-wah	10/4/2017	15,200	30,400	45,600	32,811	2,655	10,134
	10/4/2018	14,200	50,450	–	–	–	64,650
Adi Lau Tin-shing	27/4/2015	8,600	12,550	15,418	14,322	1,096	–
	8/4/2016	8,400	–	5,600	2,800	–	2,800
	10/4/2017	17,700	25,050	42,750	28,762	2,188	11,800
	10/4/2018	16,450	50,450	–	–	–	66,900
Gillian Elizabeth Meller	27/4/2015	16,950	57,600	63,250	58,220	5,030	–
	8/4/2016	17,300	–	11,534	5,766	–	5,768
	10/4/2017	16,200	–	16,200	5,400	–	10,800
	10/4/2018	16,050	50,450	–	–	–	66,500

Members of the Executive Directorate and eligible employees	Date of award	Types of Award Shares granted		Award Shares outstanding as at 1 January 2018	Award Shares vested during the period	Award Shares lapsed and/or forfeited during the period	Award Shares outstanding as at 30 June 2018
		Restricted Shares	Performance Shares				
Linda So Ka-pik	8/4/2016	16,400	44,050	54,984	45,669	3,847	5,468
	10/4/2017	15,300	–	15,300	5,100	–	10,200
	10/4/2018	14,200	50,450	–	–	–	64,650
David Tang Chi-fai	27/4/2015	18,450	57,600	63,750	58,720	5,030	–
	8/4/2016	17,950	–	11,967	5,983	–	5,984
	10/4/2017	17,250	–	17,250	5,750	–	11,500
	10/4/2018	16,850	50,450	–	–	–	67,300
Dr Philco Wong Nai-keung (Note 2)	27/4/2015	21,700	57,600	64,834	59,804	5,030	–
	8/4/2016	21,200	–	14,134	7,066	–	7,068
	10/4/2017	19,900	–	19,900	6,633	–	13,267
	10/4/2018	21,500	50,450	–	–	–	71,950
Jeny Yeung Mei-chun	27/4/2015	19,350	57,600	64,050	59,020	5,030	–
	8/4/2016	18,850	–	12,567	6,283	–	6,284
	10/4/2017	17,700	–	17,700	5,900	–	11,800
	10/4/2018	17,350	50,450	–	–	–	67,800
Other eligible employees	27/4/2015	2,172,750	1,051,650	1,524,228	1,389,491	134,737	–
	8/4/2016	2,199,700	107,450	1,420,417	766,905	20,308	633,204
	10/4/2017	1,994,050	26,350	1,958,750	687,027	29,686	1,242,037
	10/4/2018	1,954,800	1,028,450	–	7,250	–	2,976,000

Notes

1 Mr Morris Cheung Siu-wa ceased to be the President of MTR Academy and a Member of the Executive Directorate of the Company, with effect from 17 July 2018.

2 Dr Philco Wong Nai-keung resigned as Projects Director and ceased to be a Member of the Executive Directorate of the Company, with effect from 7 August 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of the Group's listed securities during the six month period ended 30 June 2018. However, the Trustee of the Executive Share Incentive Scheme, pursuant to the terms of the rules and the trust deed of the Executive Share Incentive Scheme, purchased on the HKSE a total of 5,351,600 ordinary shares of the Company for a total consideration of approximately HK\$240 million during the same period (2017: Nil).

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

As at 30 June 2018, the Group had borrowings of HK\$30,761 million (2017: HK\$35,369 million) with maturities ranging from 2018 to 2055 and undrawn committed banking facilities of HK\$18,077 million (2017: HK\$12,100 million), which were subject to the condition that Government, being the Company's controlling shareholder, owns more than half of all the Company's voting shares in issue. Failure to satisfy such condition may result in immediate repayment of the borrowings being demanded and cancellation of the undrawn committed banking facilities.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Company's shareholders' entitlement to the 2018 interim dividend, the Register of Members of the Company was closed from 24 August 2018 to 29 August 2018 (both dates inclusive) during which no transfer of shares in the Company were effected. To qualify for the 2018 interim dividend, all completed transfer documents, accompanied by the relevant share certificates, had to be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 23 August 2018 (Hong Kong time). The 2018 interim dividend, with a scrip dividend option (except for shareholders with registered addresses in New Zealand or the United States of America or any of its territories or possessions), is expected to be distributed on 12 October 2018 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 29 August 2018.