

Code of Best Practice

The Company has compiled throughout the half-year ended 30 June 2001 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, except that non-Executive Directors of the Company are not appointed for a specific term but are subject (save as those appointed pursuant to Section 8 of the new MTR Ordinance) to retirement by rotation and re-election at the Company's annual general meetings in accordance with Article 87 and 88 of the Company's Articles of Association.

Audit Committee

The Audit Committee meets regularly with the Company's senior financial, internal audit and compliance management and the external auditor to consider the Company's financial reporting, the nature and scope of audit review and the effectiveness of the systems of internal control and compliance. The members of the Audit Committee comprise David Wylie Gairns (chairman), Cheung Yau-kai and the Commissioner for Transport (Robert Charles Law Footman), all of whom are non-executive Directors.

Remuneration Committee

The Remuneration Committee meets regularly to consider human resources issues, including the terms and conditions of employment, remuneration, and retirement benefits of the Chairman and Chief Executive and members of the Executive Directorate. The members of the Remuneration Committee comprise Raymond Ch'ien Kuo-fung (chairman), Edward Ho

Sing-Tin and Denise Yue Chung-ye, all of whom are non-executive Directors.

Nominations Committee

The Nominations Committee carries out the process of recommending and nominating candidates to fill vacancies on the Board of Directors. The members of the Nominations Committee are David Gordon Eldon (chairman), Lo Chung-hing and the Secretary for Transport, all of whom are non-executive Directors.

Board Members' and Executive Directorate's Interests in Shares

At 30 June 2001, the interests of the members of the Board of Directors and the Executive Directorate in the equity securities of the Company as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI") or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:-

ORDINARY SHARES

Member of the Board of Directors or Executive Directorate	Number of Ordinary Shares
Jack So Chak-kwong	2,000
Russell John Black	2,000
William Chan Fu-keung	2,000
Phillip Gaffney	2,500
Thomas Ho Hang-kwong	4,000
Clement Kwok King-man	4,000
Leonard Bryan Turk	4,000

OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES GRANTED UNDER THE SHARE OPTION SCHEME

Members of the Board of Directors or Executive Directorate	Numbers of Ordinary Shares	Date granted	Period during which rights exercisable (Day/ month/ year)	Price per share to be paid on exercise of options	Consideration paid for options granted
Jack So Chak-kwong	1,599,000	20/9/00	5/4/2001 to 11/9/2010	\$8.44	None
Russell John Black	1,066,000	20/9/00	5/4/2001 to 11/9/2010	\$8.44	None
William Chan Fu-keung	1,066,000	20/9/00	5/4/2001 to 11/9/2010	\$8.44	None
Phillip Gaffney	1,066,000	20/9/00	5/4/2001 to 11/9/2010	\$8.44	None
Thomas Ho Hang-kwong	1,066,000	20/9/00	5/4/2001 to 11/9/2010	\$8.44	None
Clement Kwok King-man	1,066,000	20/9/00	5/4/2001 to 11/9/2010	\$8.44	None
Leonard Bryan Turk	1,066,000	20/9/00	5/4/2001 to 11/9/2010	\$8.44	None

Save as disclosed above:

A. there were no interests held as at 30 June 2001 by any members of the Board of Directors or Executive Directorate of the Company in securities of the Company and its associated corporations (within the meaning of the SDI); and

B. during the six months ended 30 June 2001, no member of the Board of Directors or Executive Directorate nor any of their spouses or children under 18 years of age held any rights to subscribe for equity or debt securities of the Company nor had there been any exercises of any such rights by any of them, as recorded in the register kept by the Company under section 29 of the SDI or otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

Human Resources

The Company employed 7,316 employees as at 30 June 2001. Our remuneration policy aims to maintain market competitiveness, internal equity, staff motivation and cost effectiveness. To reinforce our commitment to performance and continuous improvement, the Company is moving towards a more flexible compensation structure that rewards and recognizes outstanding performance.

Substantial Shareholders' Interests

Set out below is the name of the party which was interested in 10 per cent or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which it was interested as at 30 June 2001 as recorded in the register kept by the Company under Section 16(1) of the SDI:

Name	No. of Ordinary Shares
Financial Secretary Incorporated (In trust on behalf of the Government)	3,866,845,048

Purchase, Sale or Redemption of Own Securities

During the six months ended 30 June 2001, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's securities.

Closure of Register of Members

The Register of Members of the Company will be closed from 14 September 2001 to 20 September 2001 (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, Central Registration Hong Kong 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 13 September 2001. The 2001 interim dividend will be payable on or about 2 November 2001 to shareholders whose names appear on the Register of Members of the Company on 20 September 2001.