

corporate governance and other information

Code of Best Practice

The Company has compiled throughout the half-year ended 30 June 2002 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 (HKSE), 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 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.

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 Frederick Ma Si-hang (replaced

Denise Yue Chung-ye with effect from 1 July 2002), 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 the Environment, Transport and Works (replaced the Secretary for Transport with effect from 1 July 2002), all of whom are non-executive Directors.

Board Members' and Executive Directorate's Interests in Shares

At 30 June 2002, the interests of the members of the Board of Directors and the Executive Directorate in the equity securities of the Company as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ('SDI') or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary Shares

Member of the Board of Directors or Executive Directorate	Number of Ordinary Shares
Jack So Chak-kwong	46,195
Russell John Black	23,722
William Chan Fu-keung	23,100
Philip Gaffney	23,743
Thomas Ho Hang-kwong	26,942
Leonard Bryan Turk	25,836

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

Member of the Board of Directors or Executive Directorate	Date granted	Number of options granted	Period during which rights exercisable (day/month/year)	Options outstanding as at 1 January 2002	Options vested during the period	Options lapsed during the period	Options exercised during the period	Price paid on exercise of options	Options outstanding as at 30 June 2002	Weighted average closing price of shares immediately before options were exercised
Jack So Chak-kwong	20/9/2000	1,599,000	5/4/01-11/9/10	1,599,000	-	-	-	-	1,599,000	-
Russell John Black	20/9/2000	1,066,000	5/4/01-11/9/10	1,045,000	-	-	-	-	1,045,000	-
William Chan Fu-keung	20/9/2000	1,066,000	5/4/01-11/9/10	1,045,000	-	-	-	-	1,045,000	-
Philip Gaffney	20/9/2000	1,066,000	5/4/01-11/9/10	1,045,000	-	-	-	-	1,045,000	-
Thomas Ho Hang-kwong	20/9/2000	1,066,000	5/4/01-11/9/10	1,044,000	-	-	-	-	1,044,000	-
Leonard Bryan Turk	20/9/2000	1,066,000	5/4/01-11/9/10	1,045,000	-	-	-	-	1,045,000	-
Other eligible employees	20/9/2000	40,343,000	5/4/01-11/9/10	36,324,500	511,500	906,000	2,287,500	HK\$8.44	33,131,000	HK\$11.22

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

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

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

Save as disclosed above:

A there were no interests held as at 30 June 2002 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);

B during the six months ended 30 June 2002, 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 Transactions by Directors of Listed Companies; and

C out of 1,066,000 options granted on 20 September 2000 to Clement Kwok King Man, ex-Finance Director resigned on 31 January 2002, 793,000 options remained outstanding as at 1 January 2002. During the 6 months ended 30 June 2002, 82,500 options were exercised and 710,500 options lapsed. The weighted average closing price of shares immediately before those options were exercised was HK\$10.20 per share.

Substantial Shareholders' Interests

Set out below is the name of the party which was interested in 10 percent 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 2002 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)	3,924,710,623

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

As at 30 June 2002, the Group had borrowings of HK\$33,171 million with maturities ranging from 2002 to 2018 and undrawn committed and uncommitted banking and other facilities of HK\$13,868 million, which were subject to the Government, being the Company's controlling shareholder, to own more than half in nominal value of the voting share of the Company during the lives of the borrowings and the undrawn facilities. Otherwise, immediate repayment of borrowings may be demanded and cancellation of undrawn facilities may be resulted.

Purchase, Sale or Redemption of Own Securities

During the six months ended 30 June 2002, 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 28 August to 3 September 2002 (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 2002. The 2002 interim dividend will be paid on or about 29 October 2002 to shareholders whose names appear on the Register of Members of the Company on 3 September 2002.