

Corporate Governance and Other Information

Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices.

During the six months ended 30 June 2011, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except Code Provision A.4.2 as described below.

At the 2011 Annual General Meeting on 6 May 2011 (the "2011 AGM") and in relation to the retirement by rotation of directors, the Company continued to comply with its articles of association (the "Articles of Association"), which require one third of the current Directors who are subject to Articles 87 and 88 must retire as directors (i.e. three out of the nine Directors (excluding two Directors appointed pursuant to Section 8 of the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong) (the "MTR Ordinance"))). The re-organisation in the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "HKSAR") and the Rail Merger of the Company with Kowloon-Canton Railway Corporation brought an increase in the number of Directors last elected/re-elected in the 2008 Annual General Meeting three years ago. For this reason, the Company has, for the first time, not met Code Provision A.4.2 (which requires every director to be subject to retirement by rotation at least once every three years) in 2011. The above was already disclosed in the Company's 2010 Annual Report.

A person may be appointed as a Member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation by the Nominations Committee of the Company. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment. A Director who retires in this way is eligible for election at that annual general meeting, but is not taken into account when deciding which and how many Directors should retire by rotation. In either case, the Directors so elected and appointed are eligible for re-election and re-appointment. At each annual general meeting of the Company and as reported above, one third of the Directors (or, if the number of Directors is not divisible by three, such number as is nearest to and less than one third) must retire as Directors by rotation.

The Chief Executive of the HKSAR may, pursuant to Section 8 of the MTR Ordinance, appoint up to three persons as "additional Directors". Directors appointed in this way may not be removed from office except by the Chief Executive of the HKSAR. These Directors are not subject to any requirement to retire by rotation nor will they be counted in the calculation of the number of

Directors who must retire by rotation. In all other respects, the "additional Directors" are treated for all purposes in the same way as other Directors.

The Board comprises 12 Members, consisting of one executive Director (the Chief Executive Officer) and 11 non-executive Directors, of whom seven are independent non-executive Directors. In this regard, the Company *well exceeds* the requirement of the Listing Rules which requires every board of directors of a listed issuer to have at least three independent non-executive directors.

Dr. Raymond Ch'ien Kuo-fung, a Member of the Board and the non-executive Chairman of the Company since 1998 and 2003 respectively, was re-appointed by the Government of the HKSAR (the "Government") in November 2009 as the non-executive Chairman with effect from December 2009 until December 2012.

As announced by the Company in December 2010, Mr. Chow Chung-kong will retire from the position of Chief Executive Officer and cease to be a Member of the Board and a Member of the Executive Directorate when his current contract as the Chief Executive Officer expires on 31 December 2011.

On 22 July 2011 and following a worldwide search for Mr. Chow's replacement, the Company announced the appointment of Mr. Jay Herbert Walder as Chief Executive Officer for an initial term of thirty months with effect from 1 January 2012. He will become both a Member of the Executive Directorate and a Member of the Board of Directors on the same date. To ensure a smooth transition, Mr. Walder will be appointed as CEO Designate on 1 November 2011. Mr. Walder will move to the Company from his current role as Chairman and Chief Executive Officer of the New York Metropolitan Transportation Authority, the largest passenger transportation authority in the United States.

At the 2011 AGM, Mr. Alasdair George Morrison who was appointed after the 2010 annual general meeting on 27 May 2010, retired from office pursuant to Article 85 of the Articles of Association, and was elected as a Member of the Board. Messrs. Edward Ho Sing-tin, Ng Leung-sing and Abraham Shek Lai-him retired from office by rotation pursuant to Articles 87 and 88 of the Articles of Association, and were re-elected as Members of the Board.

Mr. Andrew McCusker retired from the position of Operations Director and as a Member of the Executive Directorate, both effective from 1 January 2011. Dr. Jacob Kam Chak-pui was appointed as Operations Director and a Member of the Executive Directorate, both with effect from 1 January 2011.

Mr. Leonard Bryan Turk retired from the position of Legal Director & Secretary and as a Member of the Executive Directorate, both effective from 1 September 2011. Ms. Gillian Elizabeth Meller, formerly Deputy Legal Director, was appointed

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as Legal Director & Secretary and a Member of the Executive Directorate, both with effect from 1 September 2011.

Mr. Thomas Ho Hang-kwong, Property Director, will retire from that position and as a member of the Executive Directorate, both effective from 1 October 2011. Mr. David Tang Chi-fai, Deputy Property Director, will be appointed as Property Director and will become a Member of the Executive Directorate, both with effect from 1 October 2011.

Ms. Jeny Yeung Mei-chun, formerly General Manager – Marketing & Station Commercial, was appointed as Commercial Director and a Member of the Executive Directorate, both with effect from 1 September 2011.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the “Model Code”). After having made specific enquiry, the Company confirms that Members of the Board and the Executive Directorate complied throughout the half-year ended 30 June 2011 with the Model Code. Senior managers, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code. In addition, every employee is bound by the Code of Conduct issued by the Company, amongst other things, to keep unpublished price sensitive information in strict confidence.

Audit Committee

The Audit Committee normally meets four times each year with the purpose of monitoring the integrity 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.

Under its Terms of Reference, the Audit Committee consists of four non-executive Directors, at least three of whom are independent non-executive Directors. The Members of the Committee are Mr. T. Brian Stevenson (chairman), Mr. Ng Leung-sing, the Commissioner for Transport (Mr. Joseph Lai Yee-tak), and Mr. Alasdair George Morrison. Mr. Stevenson, Mr. Ng and Mr. Morrison are independent non-executive Directors.

Remuneration Committee

The Remuneration Committee meets regularly to consider remuneration issues and its principal responsibilities include formulating a remuneration policy and practices that facilitate the employment of top quality personnel, recommending to the Board the remuneration of the Members of the Board who are non-executive Directors, determining the remuneration packages of the Members of the Board who are executive

Directors and other Members of the Executive Directorate, and reviewing and approving performance-based remuneration by reference to the Company’s goals and objectives.

Under its Terms of Reference, the Remuneration Committee consists of at least three non-executive Directors, and the majority of them are independent non-executive Directors. The Members of the Committee are Mr. Edward Ho Sing-tin (chairman), Mr. T. Brian Stevenson, Mr. Vincent Cheng Hoi-chuen, Professor Chan Ka-keung, Ceajer and Mr. Alasdair George Morrison. Mr. Ho, Mr. Stevenson, Mr. Cheng and Mr. Morrison are independent non-executive Directors.

Nominations Committee

The Nominations Committee nominates and recommends to the Board candidates for filling vacancies on the Board, and the positions of Chief Executive Officer, Finance Director (the “FD”) and Chief Operating Officer (the “COO”) (provided that the COO position exists). For the positions of FD and COO, the Committee may consider candidates recommended by the Chief Executive Officer, or any other candidates (provided that the Chief Executive Officer shall have the right to first agree to such other candidates).

Under its Terms of Reference, the Nominations Committee consists of seven non-executive Directors and the majority of them are independent non-executive Directors. The Members of the Committee are Mr. Edward Ho Sing-tin (chairman), Dr. Raymond Ch’ien Kuo-fung, Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Ng Leung-sing, Professor Chan Ka-keung, Ceajer and the Secretary for Transport and Housing (Ms. Eva Cheng). Mr. Ho, Ms. Fang, Mr. Shek and Mr. Ng are independent non-executive Directors.

Corporate Responsibility Committee

The Corporate Responsibility Committee normally meets two times a year. The duties of the Committee are to recommend corporate responsibility policy to the Board for approval, monitor and oversee the implementation of the Company’s corporate responsibility policy and initiatives, identify emerging corporate responsibility issues arising from external trends, review annual Sustainability Report and recommend endorsement by the Board, and provide updates to the Board as required.

Under its Terms of Reference, the Corporate Responsibility Committee consists of at least three non-executive Directors, two of whom are independent non-executive Directors, and two Members of the Executive Directorate. The Members of the Committee are Dr. Raymond Ch’ien Kuo-fung (Chairman), Secretary for Transport and Housing (Ms. Eva Cheng), Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Vincent Cheng Hoi-chuen, Mr. Leonard Bryan Turk (Legal Director & Secretary) and Mr. Thomas Ho Hang-kwong (Property Director). Ms. Fang, Mr. Shek and Mr. Cheng are independent non-executive Directors.

Changes in Information of Directors

Pursuant to the requirements of Rule 13.51B(1) of the Listing Rules, Mr. Chow Chung-kong is a Steward of The Hong Kong Jockey Club since 4 March 2011. Mr. Vicent Cheng Hoi-chuen is an independent non-executive director of Hui Xian Asset Management Limited and CLP Holdings Limited since 4 April 2011 and 17 August 2011 respectively, and the Adviser to the Group Chief Executive of HSBC Holdings plc since 28 June 2011. Ms. Christine Fang Meng-sang is a member of the Hong Kong Housing Authority since 1 April 2011. Mr. Chew Tai Chong was elected a fellow of the Royal Academy of Engineering on 11 July 2011.

Mr. Vincent Cheng Hoi-chuen ceased as the chairman of HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited, and an executive director of HSBC Holdings plc., all effective from 28 May 2011. Ms. Christine Fang Meng-sang ceased as a member of the Sustainable Development Council effective from 1 March 2011. Mr. Alasdair George Morrison ceased as a member of the Operations Review Committee of the Independent Commission Against Corruption effective from 1 January 2011. Mr. Lincoln Leong Kwok-kuen ceased as a non-official member of the Family Council effective from 1 April 2011.

Internal Controls

The Board is responsible for the system of internal controls of the Company and its subsidiaries, setting appropriate policies and reviewing the effectiveness of such controls. Internal control is defined as a process effected by the Board, Management and other personnel, designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations
- effectiveness of risk management functions

Pursuant to the Protocol adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders.

Supported by the Members of the Executive Committee, the Chief Executive Officer who chairs the Executive Committee is responsible to the Board for the conduct of the business of the Company. With the assistance of a number of committees in the day-to-day management and control of the various core businesses and functions of the Company and its subsidiaries, the Executive Committee is responsible for implementing the Board's policies on risk and control. In fulfilling its responsibilities,

the Executive Committee identifies and evaluates the risks faced by the Company for consideration by the Board, and designs, operates and monitors a suitable system of internal controls which implements the policies adopted by the Board. The Executive Committee is accountable to the Board for monitoring the system of internal controls and providing assurance to the Board that it has done so. Additionally, all employees have responsibility for internal controls within their areas of accountability.

Various risk management strategies have been established by the Board as advised by the Executive Committee to identify, assess and reduce risks, including construction, business operations, finance, treasury, safety and enterprise risks as well as to ensure appropriate insurance coverage.

Risk Assessment and Management

The Company has established an Enterprise Risk Management ("ERM") framework for the strategic management of business risks to ensure continued and long term success of the Company. The framework covers all key business areas of the Company and provides a useful forum for communicating risk issues at different levels of the organization and thereby improves awareness and understanding of risk. The framework has been in operation since early 2006 and its application has been subject to continuous improvement through internal and external reviews. Structured cross-discipline processes and organizations are in place at corporate and divisional levels for risk identification, assessment, mitigation and monitoring. A standard risk rating system is employed across the Company to prioritise risks for mitigation, effective monitoring and reporting to the Executive Committee and the Board.

The operation of the ERM framework, which is overseen by the Enterprise Risk Committee (the "ERC"), is underpinned by line management taking direct risk management responsibilities as risk owners. Changes to existing and emerging risks are regularly reviewed by line management. The ERC reviews the operation of the ERM framework and key business risks every three months. The risk reviews cover the changes in business environments, the key internal and external risks facing the Company, and the risk perspectives of the Executive Committee, business managers and outside stakeholders. The ERC promotes a proactive risk culture by learning from risk events and failures.

Risk assessment is now part of the Company's everyday management processes. Risks associated with major changes and new businesses such as local and overseas railway construction, investment and consultancy projects are assessed at key stages and project milestones to support decision making and forward planning. The Enterprise Risk Management Department plays a central role in facilitating risk assessments and reviewing existing and emerging business risks facing the Company.

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The Executive Committee reviews key enterprise risks half-yearly and the Board annually to ensure that such risks are under satisfactory control. The Executive Committee and the Board also offer direction in relation to the management of risks which are considered to be strategic in nature.

The Audit Committee also reviews annually the implementation of the ERM framework and the organization and processes that have been put in place to support it.

Control Activities and Processes

The Internal Audit Department plays a major role, independent of the Company's management, in assessing and monitoring the internal controls of the Company. The Head of Internal Audit reports to the Chief Executive Officer and has direct access to the Audit Committee. The Department has unrestricted access to information that allows it to review all aspects of the Company's risk management, control and governance processes.

On behalf of the Board, the Audit Committee evaluates the effectiveness of the Company's system of internal controls, including the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations and effectiveness of risk management functions.

The Company is committed to recruit, train and develop a team of qualified and competent accountants in order to oversee its financial reporting and other accounting-related issues. A process to capture and update relevant laws, rules and regulations applicable to the reporting and accounting function is in place. Designated officers will ensure relevant standards and ordinances including Hong Kong Financial Reporting Standards, the Listing Rules and Hong Kong Companies Ordinance under their responsibility are complied with. Resources and provisions required to deliver accounting and financial reporting function are critically reviewed during the annual budgeting exercise. Company-wide recruitment process and staff development programmes are in place to address the competency, qualifications and experience required. Adherence to the process is confirmed on an annual basis by the designated officers to the Finance & Business Development Director who will conduct a formalized annual review and report to the Audit Committee for the review results. Confirmation of the process is also monitored by the Internal Audit Department. Based on the above, the Audit Committee considered the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate for the year ended 31 December 2010.

The Board has, through the Audit Committee, conducted the review of the effectiveness of the Company's system of internal controls for the year ended 31 December 2010, covering all material financial, operational and compliance controls, and risk management function, and concluded that adequate and effective

internal controls were maintained to safeguard the shareholders' investment and the Company's assets. There were no significant control failings, weaknesses or significant areas of concern identified during the year 2010 which might affect shareholders.

Crisis Management Committee

To uphold the reputation of being one of the best companies in Hong Kong and in order to help ensure that the Company will respond to and recover from crises in an organised and effective manner, including timely communications with principal stakeholders such as shareholders, the Company established a Crisis Management Committee in 1995. The Committee comprises relevant Members of the Executive Directorate and Executive Managers, and its operation is governed by a Crisis Management Manual. The Committee conducts regular exercises to validate the crisis management organisation and arrangements and to provide practices for members.

Continuous Disclosure Obligations regarding Price Sensitive Information

The Company has developed a system with established policies, processes and procedures across all relevant Division(s) and Department(s) for complying with the disclosure obligations regarding price sensitive information. The system continues to be effective. Efforts to further enhance the system in the light of the business operation and development of the Company will continue.

Governance of Subsidiaries and Affiliate Companies

The Company has a number of subsidiaries and affiliate companies which operate independent businesses in Hong Kong, the Mainland of China and overseas. Notwithstanding these subsidiaries and affiliate companies are separate legal entities, the Company has implemented a management governance structure (the "Governance Structure") to ensure that it exercises an appropriate level of control and oversight as a shareholder of these subsidiaries and affiliate companies.

Pursuant to the Governance Structure, the Company exercises its control and oversight in a number of forms: imposition of internal controls, requirements for consent or consultation, reporting requirements and assurance. The management of each subsidiary or affiliate company is responsible for the adoption of management practices and policies that are appropriate to the business nature and local situation, taking into account the management governance requirements of the Company, and developing a corporate governance manual for the entity which reflects both such management practices and policies as well as the management governance requirements for approval by the relevant board of directors. Ongoing compliance with the manuals is reported by all subsidiaries and affiliate companies on a regular basis.

The Executive Committee reviews the Governance Structure and compliance by the subsidiaries and affiliate companies with it on an annual basis.

Board Members' and Executive Directorate's Interests in Shares

As at 30 June 2011, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

Long Positions in Shares and Underlying Shares of the Company

Member of the Board or the 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		
Raymond Ch'ien Kuo-fung	52,330	–	–	–	–	52,330	0.00090
Chow Chung-kong	–	–	–	2,130,000 (Note 1)	222,161 (Note 2)	2,352,161	0.04067
Vincent Cheng Hoi-chuen	1,675	1,675	–	–	–	3,350	0.00006
Christine Fang Meng-sang	1,712	–	–	–	–	1,712	0.00003
T. Brian Stevenson	5,153	–	–	–	–	5,153	0.00009
William Chan Fu-keung	126,106	–	–	680,000 (Note 1)	–	806,106	0.01394
Chew Tai Chong	–	–	–	425,000 (Note 1)	–	425,000	0.00735
Thomas Ho Hang-kwong	151,239	2,541	–	637,500 (Note 1)	–	791,280	0.01368
Jacob Kam Chak-pui	2,283	–	–	425,000 (Note 1)	–	427,283	0.00739
Lincoln Leong Kwok-kuen	23,000	–	23,000 (Note 3)	(i) 417,500 (Note 4) (ii) 680,000 (Note 1)	–	1,143,500	0.01977
Leonard Bryan Turk	–	–	–	637,500 (Note 1)	–	637,500	0.01102

Notes

- 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 2007 Share Option Scheme.
- Chow Chung-kong has a derivative interest in respect of 222,161 shares in the Company within the meaning of Part XV of the SFO. That derivative interest represents Mr. Chow's entitlement to receive an equivalent value in cash of 222,161 shares in the Company on completion of his existing contract (on 31 December 2011).
- The 23,000 shares are held by Linsan Investment Ltd., a private limited company beneficially wholly owned by 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.

* Interests as beneficial owner

† Interests of spouse or child under 18 as beneficial owner

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 2011	Options granted during the period	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 2011	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Lincoln Leong Kwok-kuen	1/8/2003	1,066,000	14/7/2004 – 14/7/2013	417,500	–	–	–	–	9.75	417,500	–
Other eligible employees	1/8/2003	495,200	14/7/2004 – 14/7/2013	108,200	–	–	–	108,200	9.75	–	29.16
	23/9/2005	213,000	9/9/2006 – 9/9/2015	213,000	–	–	–	–	15.97	213,000	–
	5/10/2006	94,000	29/9/2007 – 29/9/2016	94,000	–	–	–	–	19.732	94,000	–
	12/5/2006	266,500	25/4/2007 – 25/4/2016	266,500	–	–	–	266,500	20.66	–	28.77
	15/5/2006	213,000	25/4/2007 – 25/4/2016	22,000	–	–	–	–	20.66	22,000	–

Notes

- The exercise price of the share options is determined upon the offer of grant of the options and which 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.
- 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

Options to subscribe for Ordinary Shares granted under the 2007 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 2011	Options granted during the period	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 2011	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Chow Chung-kong	13/12/2007	720,000	10/12/2008 – 10/12/2014	720,000	–	–	–	–	27.60	720,000	–
	9/12/2008	470,000	8/12/2009 – 8/12/2015	470,000	–	–	–	–	18.30	470,000	–
	9/12/2009	470,000	8/12/2010 – 8/12/2016	470,000	–	–	–	–	26.85	470,000	–
	17/12/2010	470,000	16/12/2011 – 16/12/2017	470,000	–	–	–	–	28.84	470,000	–
William Chan Fu-keung	13/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
Chew Tai Chong	18/6/2009	85,000	12/6/2010 – 12/6/2016	85,000	–	28,500	–	–	24.50	85,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–

Options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme (continued)

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 2011	Options granted during the period	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 2011	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Thomas Ho Hang-kwong	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	11/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	–	18.30	170,000	–
	14/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
	17/12/2010	127,500	16/12/2011 – 16/12/2017	127,500	–	–	–	–	28.84	127,500	–
Jacob Kam Chak-pui	13/12/2007	75,000	10/12/2008 – 10/12/2014	75,000	–	–	–	–	27.60	75,000	–
	8/12/2008	65,000	8/12/2009 – 8/12/2015	65,000	–	–	–	–	18.30	65,000	–
	14/12/2009	65,000	8/12/2010 – 8/12/2016	65,000	–	–	–	–	26.85	65,000	–
	21/7/2010	50,000	28/6/2011 – 28/6/2017	50,000	–	17,000	–	–	27.73	50,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
Lincoln Leong Kwok-kuen	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
	17/12/2010	170,000	16/12/2011 – 16/12/2017	170,000	–	–	–	–	28.84	170,000	–
Leonard Bryan Turk	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	–	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	–	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	170,000	–	–	–	–	26.85	170,000	–
	17/12/2010	127,500	16/12/2011 – 16/12/2017	127,500	–	–	–	–	28.84	127,500	–
Other eligible employees	11/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	–	–	–	27.60	45,000	–
	12/12/2007	2,220,000	10/12/2008 – 10/12/2014	1,778,000	–	–	–	65,000	27.60	1,713,000	28.15
	13/12/2007	840,000	10/12/2008 – 10/12/2014	840,000	–	–	–	–	27.60	840,000	–
	14/12/2007	1,005,000	10/12/2008 – 10/12/2014	872,000	–	–	–	–	27.60	872,000	–
	15/12/2007	435,000	10/12/2008 – 10/12/2014	343,000	–	–	–	40,000	27.60	303,000	29.20
	17/12/2007	835,000	10/12/2008 – 10/12/2014	751,000	–	–	–	–	27.60	751,000	–
	18/12/2007	445,000	10/12/2008 – 10/12/2014	288,000	–	–	–	–	27.60	288,000	–
	19/12/2007	115,000	10/12/2008 – 10/12/2014	80,000	–	–	–	–	27.60	80,000	–
	20/12/2007	190,000	10/12/2008 – 10/12/2014	190,000	–	–	–	–	27.60	190,000	–
	21/12/2007	45,000	10/12/2008 – 10/12/2014	15,000	–	–	–	–	27.60	15,000	–
	22/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	–	–	–	27.60	35,000	–
	24/12/2007	118,000	10/12/2008 – 10/12/2014	118,000	–	–	–	–	27.60	118,000	–
	28/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	–	–	–	27.60	35,000	–
	31/12/2007	130,000	10/12/2008 – 10/12/2014	130,000	–	–	–	–	27.60	130,000	–
	2/1/2008	75,000	10/12/2008 – 10/12/2014	48,000	–	–	–	–	27.60	48,000	–
	3/1/2008	40,000	10/12/2008 – 10/12/2014	40,000	–	–	–	–	27.60	40,000	–
	7/1/2008	125,000	10/12/2008 – 10/12/2014	125,000	–	–	–	30,000	27.60	95,000	28.90
	28/3/2008	255,000	26/3/2009 – 26/3/2015	204,000	–	75,000	5,000	–	26.52	199,000	–
	31/3/2008	379,000	26/3/2009 – 26/3/2015	349,000	–	117,000	–	6,000	26.52	343,000	28.95
	1/4/2008	261,000	26/3/2009 – 26/3/2015	249,000	–	79,000	–	–	26.52	249,000	–
	2/4/2008	296,000	26/3/2009 – 26/3/2015	276,000	–	84,000	–	–	26.52	276,000	–
	3/4/2008	171,000	26/3/2009 – 26/3/2015	159,000	–	52,000	–	19,000	26.52	140,000	28.50
	4/4/2008	23,000	26/3/2009 – 26/3/2015	23,000	–	7,000	–	–	26.52	23,000	–
	5/4/2008	17,000	26/3/2009 – 26/3/2015	17,000	–	5,000	–	–	26.52	17,000	–
	7/4/2008	390,000	26/3/2009 – 26/3/2015	342,000	–	110,000	12,000	–	26.52	330,000	–
	8/4/2008	174,000	26/3/2009 – 26/3/2015	116,000	–	40,000	–	6,000	26.52	110,000	29.35
	9/4/2008	85,000	26/3/2009 – 26/3/2015	85,000	–	26,000	–	–	26.52	85,000	–
	10/4/2008	58,000	26/3/2009 – 26/3/2015	58,000	–	18,000	–	–	26.52	58,000	–
	11/4/2008	134,000	26/3/2009 – 26/3/2015	117,000	–	36,000	–	–	26.52	117,000	–
	12/4/2008	48,000	26/3/2009 – 26/3/2015	48,000	–	15,000	–	–	26.52	48,000	–
	14/4/2008	40,000	26/3/2009 – 26/3/2015	40,000	–	12,000	–	–	26.52	40,000	–
15/4/2008	34,000	26/3/2009 – 26/3/2015	34,000	–	10,000	–	–	26.52	34,000	–	
16/4/2008	57,000	26/3/2009 – 26/3/2015	40,000	–	12,000	–	–	26.52	40,000	–	
17/4/2008	147,000	26/3/2009 – 26/3/2015	124,000	–	38,000	–	–	26.52	124,000	–	
18/4/2008	32,000	26/3/2009 – 26/3/2015	15,000	–	5,000	–	–	26.52	15,000	–	
19/4/2008	25,000	26/3/2009 – 26/3/2015	25,000	–	8,000	–	–	26.52	25,000	–	
21/4/2008	66,000	26/3/2009 – 26/3/2015	66,000	–	20,000	–	–	26.52	66,000	–	
23/4/2008	34,000	26/3/2009 – 26/3/2015	19,000	–	6,000	–	–	26.52	19,000	–	

Options to subscribe for Ordinary Shares granted under the 2007 Share Option Scheme (continued)

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 2011	Options granted during the period	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 2011	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Other eligible employees	8/12/2008	90,000	8/12/2009 – 8/12/2015	45,000	–	–	–	–	18.30	45,000	–
	9/12/2008	483,000	8/12/2009 – 8/12/2015	453,000	–	–	21,000	49,000	18.30	383,000	27.99
	10/12/2008	2,176,400	8/12/2009 – 8/12/2015	2,040,900	–	–	–	47,000	18.30	1,993,900	28.77
	11/12/2008	2,294,200	8/12/2009 – 8/12/2015	2,121,200	–	23,500	14,000	108,500	18.30	1,998,700	27.19
	12/12/2008	1,481,500	8/12/2009 – 8/12/2015	1,292,000	–	–	–	–	18.30	1,292,000	–
	13/12/2008	84,500	8/12/2009 – 8/12/2015	84,500	–	–	–	6,500	18.30	78,000	28.95
	14/12/2008	88,200	8/12/2009 – 8/12/2015	79,700	–	–	–	8,500	18.30	71,200	29.05
	15/12/2008	1,084,700	8/12/2009 – 8/12/2015	930,200	–	–	–	42,000	18.30	888,200	29.08
	16/12/2008	581,500	8/12/2009 – 8/12/2015	487,500	–	–	14,500	15,000	18.30	458,000	28.81
	17/12/2008	513,500	8/12/2009 – 8/12/2015	485,500	–	–	–	6,500	18.30	479,000	28.05
	18/12/2008	611,500	8/12/2009 – 8/12/2015	483,000	–	–	–	6,500	18.30	476,500	28.60
	19/12/2008	198,000	8/12/2009 – 8/12/2015	198,000	–	–	–	–	18.30	198,000	–
	20/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	–	–	–	18.30	19,000	–
	22/12/2008	772,500	8/12/2009 – 8/12/2015	689,500	–	–	–	13,500	18.30	676,000	29.43
	23/12/2008	306,000	8/12/2009 – 8/12/2015	246,500	–	–	6,000	22,500	18.30	218,000	28.88
	24/12/2008	500,500	8/12/2009 – 8/12/2015	455,500	–	–	–	73,000	18.30	382,500	29.23
	25/12/2008	45,000	8/12/2009 – 8/12/2015	45,000	–	–	–	–	18.30	45,000	–
	29/12/2008	148,000	8/12/2009 – 8/12/2015	133,000	–	–	–	–	18.30	133,000	–
	30/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	–	–	–	18.30	19,000	–
	18/6/2009	170,000	12/6/2010 – 12/6/2016	90,000	–	30,000	–	–	24.50	90,000	–
	6/7/2009	45,000	12/6/2010 – 12/6/2016	45,000	–	15,000	–	–	24.50	45,000	–
	9/7/2009	45,000	12/6/2010 – 12/6/2016	30,000	–	15,000	–	–	24.50	30,000	–
	9/12/2009	200,000	8/12/2010 – 8/12/2016	115,000	–	–	–	–	26.85	115,000	–
	10/12/2009	2,171,000	8/12/2010 – 8/12/2016	2,074,000	–	–	13,000	–	26.85	2,061,000	–
	11/12/2009	2,362,000	8/12/2010 – 8/12/2016	2,322,000	–	–	–	–	26.85	2,322,000	–
	12/12/2009	610,000	8/12/2010 – 8/12/2016	610,000	–	–	–	–	26.85	610,000	–
	13/12/2009	19,000	8/12/2010 – 8/12/2016	12,500	–	–	–	–	26.85	12,500	–
	14/12/2009	2,273,000	8/12/2010 – 8/12/2016	2,209,000	–	–	–	–	26.85	2,209,000	–
	15/12/2009	2,838,000	8/12/2010 – 8/12/2016	2,804,000	–	22,000	80,500	45,500	26.85	2,678,000	28.24
	16/12/2009	1,550,000	8/12/2010 – 8/12/2016	1,491,000	–	–	55,000	22,000	26.85	1,414,000	29.20
	17/12/2009	1,000,000	8/12/2010 – 8/12/2016	975,000	–	–	–	–	26.85	975,000	–
	18/12/2009	389,000	8/12/2010 – 8/12/2016	380,500	–	–	–	–	26.85	380,500	–
	19/12/2009	70,000	8/12/2010 – 8/12/2016	70,000	–	–	–	–	26.85	70,000	–
	20/12/2009	75,000	8/12/2010 – 8/12/2016	75,000	–	–	–	–	26.85	75,000	–
	21/12/2009	520,000	8/12/2010 – 8/12/2016	520,000	–	–	12,500	6,500	26.85	501,000	29.85
	22/12/2009	256,000	8/12/2010 – 8/12/2016	237,000	–	–	–	–	26.85	237,000	–
	21/7/2010	305,000	28/6/2011 – 28/6/2017	305,000	–	94,000	25,000	–	27.73	280,000	–
	16/12/2010	194,000	16/12/2011 – 16/12/2017	194,000	–	–	–	–	28.84	194,000	–
	17/12/2010	4,062,000	16/12/2011 – 16/12/2017	4,062,000	–	–	85,000	–	28.84	3,977,000	–
	18/12/2010	673,000	16/12/2011 – 16/12/2017	673,000	–	–	–	–	28.84	673,000	–
	19/12/2010	174,000	16/12/2011 – 16/12/2017	174,000	–	–	–	–	28.84	174,000	–
	20/12/2010	4,854,500	16/12/2011 – 16/12/2017	4,854,500	–	5,500	30,000	–	28.84	4,824,500	–
	21/12/2010	3,020,000	16/12/2011 – 16/12/2017	3,020,000	–	–	–	–	28.84	3,020,000	–
	22/12/2010	975,000	16/12/2011 – 16/12/2017	975,000	–	–	–	–	28.84	975,000	–
	23/12/2010	189,000	16/12/2011 – 16/12/2017	189,000	–	–	–	–	28.84	189,000	–

Notes

- The exercise price of the share options is determined upon the offer of grant of the options and which 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.
- 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

On 27 June 2011, the Company offered to grant 215,000 share options under the Company's 2007 Share Option Scheme to certain eligible employees of the Company (the "Grantees"). Such offer to grant is subject to acceptance by the Grantees.

Save for the above offer, no options to subscribe for shares of the Company were granted to any persons under any of the Company's share option schemes during the six months ended 30 June 2011.

Save as disclosed above:

A none of the Members 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 months ended 30 June 2011, 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 Stock Exchange 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 the nominal value of the share capital of the Company and the number of shares in which it was interested as at 30 June 2011 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)	4,434,552,207	76.67

The Company has been informed by the Government that, as at 30 June 2011, approximately 0.48% 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 2011, the Group had borrowings of HK\$19,014 million with maturities ranging from 2011 to 2020 and available uncommitted banking and other facilities of HK\$11,027 million, which were subject to the condition that the Government, being the Company's controlling shareholder, owns more than half in nominal value of the voting share capital of the Company during the lives of the borrowings and the undrawn facilities. Otherwise, immediate repayment of the borrowings may be demanded and cancellation of the undrawn facilities may result.

Purchase, Sale or Redemption of Own Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2011.

Closure of Register of Members

The closure of the Register of Members of the Company is from 26 August 2011 to 1 September 2011 (both dates inclusive). During that 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 4:30 p.m. on 25 August 2011. The 2011 interim dividend is expected to be paid on or about 19 September 2011 to shareholders whose names appear on the Register of Members of the Company on 1 September 2011.