

The Members of the Board have pleasure in submitting their Report and the summary financial statements for the financial year ended 31 December 2009.

### Principal Activities of the Group

The principal activities of the Company and its subsidiaries are:

- A** the operation of a modern railway system with lines from Central to Tsuen Wan (Tsuen Wan Line), from Yau Ma Tei to Tiu Keng Leng (Kwun Tong Line), from Po Lam and LOHAS Park to North Point (Tseung Kwan O Line), from Chai Wan to Sheung Wan (Island Line), from Hong Kong to Tung Chung (Tung Chung Line), from Hong Kong to the Hong Kong International Airport and then AsiaWorld-Expo both at Chek Lap Kok (Airport Express), from Sunny Bay to Disneyland Resort (Disneyland Resort Line), from Hung Hom to the boundary at Lo Wu and Lok Ma Chau (East Rail Line), from Tai Wai to Wu Kai Sha (Ma On Shan Line), from Hung Hom to Tuen Mun (West Rail Line), the North-west Railway (commonly known as Light Rail) in the North-West New Territories of Tuen Mun, Tin Shui Wai and Yuen Long, and an intercity railway system between Hong Kong and some major cities in the Mainland of China;
- B** property development, either as owner or as an agent for KCRC, at locations relating to the railway system including the Tseung Kwan O Line, the Ma On Shan Line, the East Rail Line, the Light Rail and the West Rail Line;
- C** related commercial activities, including the letting of advertising and retail space, bandwidth services on the railway telecommunication system, property management and leasing management of investment properties (including shopping malls, offices and residential units);
- D** the investment in a 50% equity share in the operation of the 7-year UK's London Overground Concession, consisting of 107.2 route kilometres of 4 London railway lines with connections into the London Underground network;
- E** the investment in the operation (including rolling stock maintenance which is undertaken by a 50:50 joint venture) of the 8-year Sweden's Stockholm Metro Concession, consisting of three lines measuring a total of 108 kilometres, linking the Swedish capital's central areas with surrounding suburbs;
- F** the investment in a 60% equity share in the operation and maintenance of Australia's Melbourne train system, consisting of 15 lines measuring a total of 372 kilometres, linking Melbourne's central business district with surrounding suburbs, under a franchise agreement with an initial period of 8 years;
- G** the design and construction of the West Island Line as an extension of the Island Line;
- H** the further design, construction, procurement of services and equipment, testing, commissioning and all other matters associated with bringing the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link into service;
- I** the planning and construction of future extensions to the railway system and other related infrastructure projects including the South Island Line, the Kwun Tong Line Extension and the Shatin to Central Link, as the major projects for which the Government has confirmed policy support;
- J** the operation of the Tung Chung to Ngong Ping Cable Car System and the Theme Village in Ngong Ping, Lantau Island, Hong Kong;
- K** worldwide consultancy services covering all areas of expertise required in the project management, planning, construction, operation, maintenance and up-grading of railways plus fare collection, property integration/development advice including other property related services and advice on generation of non-fare revenues;
- L** investment in Octopus Holdings Limited, a subsidiary of the Company, which has business activities both in Hong Kong and overseas including the operation of a smart card system by its subsidiary Octopus Cards Limited for the collection of payments for both transport and non-transport applications in Hong Kong;
- M** equity investments and long term operations and maintenance contracts outside of Hong Kong;
- N** property management, shopping mall investment and railway related property development business in the Mainland of China;
- O** the investment in a 49% equity interest in the construction and operations of Beijing Metro Line 4, consisting of 28 kilometres with 24 stations forming the main north-south traffic artery for Beijing, Mainland of China under a 30 years concession agreement with the Beijing Municipal Government, and future operations and maintenance of Beijing Metro Daxing Line, an extension of the Beijing Metro Line 4, consisting of 22 kilometres with 11 stations, under a concession agreement with Beijing Metro Daxing Line Investment Company Limited, a wholly owned subsidiary of Beijing Municipal Government with an initial period of 10 years;
- P** the investment in, design and construction of Phase 2 of Shenzhen Metro Line 4 together with future operations of Phase 1 and Phase 2, a 20.5 kilometres double-track urban railway running from Futian Checkpoint at the boundary between Hong Kong and Shenzhen, Mainland of China, to Longhua New Town in Shenzhen with a total of 15 stations, under a 30 years Build-Operate-Transfer concession agreement with the Shenzhen Municipal Government; and
- Q** the investment in a 49% equity interest in future operations and maintenance of Shenyang Metro Line 1 (consisting of 28 kilometres with 22 underground stations forming the east-west traffic corridor in Shenyang, Mainland of China) and Line 2 (consisting of 22 kilometres with 19 underground stations forming the north-south corridor in Shenyang), under a 30 years concession agreement with Shenyang Municipal Government and its wholly owned subsidiary, Shenyang Metro Group Company Limited.

A Concession Agreement for a Public-Private Partnership project for the investment, construction and operations of Hangzhou Metro Line 1 for a term of 25 years was entered into by MTR Hangzhou Line 1 Investment Company Limited (a wholly-owned subsidiary of the Company) and a subsidiary of Hangzhou Metro Group Company Limited together with Hangzhou Municipal Government. The Concession Agreement is subject to approval by relevant authorities in the Mainland.

In October 2009, the Company has announced its decision to wind down its freight business to better utilize train paths which have been used for the freight business, to provide greater flexibility for passenger train service, benefitting the people of Hong Kong.

### **Dividend**

The Directors have recommended a final dividend of HK\$0.38 per Ordinary Share to be payable to shareholders whose names appear on the Register of Members of the Company on 9 April 2010. Subject to the passing of the necessary resolutions at the forthcoming Annual General Meeting, such dividend will be payable on or about 15 June 2010, in cash in Hong Kong dollars, with a scrip dividend alternative. Going forward, subject to the financial conditions of the Company, the Board intends to follow a progressive dividend policy.

The Company's majority shareholder, The Financial Secretary Incorporated, has agreed that for dividends declared in respect of the financial years ended 31 December 2009, it will elect to receive all or part of its entitlement to dividends in the form of shares under any scrip dividend election to be offered by the Company to its shareholders to the extent necessary to ensure that a maximum of 50% of the total dividend paid by the Company in respect of the relevant financial year will be paid in the form of cash. This arrangement will expire after the payment of any dividend in respect of the financial year ended 31 December 2009.

### **Members of the Board**

Members of the Board who served during the year were Raymond Ch'ien Kuo-fung (non-executive Chairman), Chow Chung-kong (Chief Executive Officer), Cheung Yau-kai [retired by rotation and did not offer himself for re-election at the Annual General Meeting on 4 June 2009], Vincent Cheng Hoi-chuen [appointed on 10 July 2009], Christine Fang Meng-sang, Edward Ho Sing-tin, Ng Leung-sing, Abraham Shek Lai-him, T. Brian Stevenson, Chan Ka-keung, Ceajer, the Secretary for Transport and Housing (Eva Cheng) and the Commissioner for Transport (Alan Wong Chi-kong ceased to hold the post of the Commissioner for Transport and Joseph Lai Yee-tak was appointed to that post, both with effect from 17 August 2009).

In November 2009, Raymond Ch'ien Kuo-fung whose two year term of office as the non-executive Chairman of the Company took effect from 2 December 2007, was reappointed as the Chairman with effect from December 2009 until December 2012.

In June 2009, Chow Chung-kong whose three year term of office as Chief Executive Officer of the Company took effect from 1 December 2006, was reappointed as the Chief Executive Officer with effect from 1 December 2009 to 31 December 2011.

At the Annual General Meeting on 4 June 2009 and pursuant to the Articles of Association, Raymond Ch'ien Kuo-fung, Cheung Yau-kai and T. Brian Stevenson retired under the Articles of Association. Raymond Ch'ien Kuo-fung and T. Brian Stevenson were re-elected as Members of the Board.

At the forthcoming Annual General Meeting and in accordance with the Articles of Association, Chow Chung-kong and Christine Fang Meng-sang will retire by rotation and will offer themselves for re-election. Vincent Cheng Hoi-chuen, who was appointed by the Board after the 2009 Annual General Meeting, will retire under Article 85 of the Articles of Association and will offer himself for election at the 2010 Annual General Meeting.

Biographical details for Board Members are set out on pages 48 to 50.

### **Alternate Directors**

The Alternate Directors in office during the year were:

- for Chan Ka-keung, Ceajer: Ying Yiu-hong and Leung Cheuk-man;
- for the office of the Secretary for Transport and Housing: (i) the Under Secretary for Transport and Housing (Yau Shing-mu); (ii) the Permanent Secretary for Transport and Housing (Transport) (Ho Suen-wai); and (iii) the Deputy Secretary for Transport and Housing (Transport) (Yung Wai-hung [who ceased to be Deputy Secretary for Transport and Housing (Transport) and accordingly ceased to be an alternate director to the office of the Secretary for Transport and Housing with effect from 1 February 2010], Shirley Yuen and Maisie Cheng Mei-sze [with effect from 1 February 2010]); and
- for the Commissioner for Transport: the Deputy Commissioner for Transport/Transport Services and Management (Carolina Yip Lai-ching).

### **Executive Directorate**

The Members of the Executive Directorate who served during the year were Chow Chung-kong (Chief Executive Officer and a Member of the Board), Russell John Black, William Chan Fu-keung, Thomas Ho Hang-kwong, Lincoln Leong Kwok-kuen, Andrew McCusker and Leonard Bryan Turk.

Russell John Black retired as Projects Director and a Member of the Executive Directorate, and Chew Tai Chong was appointed as Projects Director and a Member of the Executive Directorate, both with effect from 1 February 2010. Mr. Chew joined the Company as Deputy Projects Director – New Projects in May 2009.

Biographical details for Members of the Executive Directorate during the year are set out on pages 51 to 52.

## Internal Audit

The Company's Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve the Company's operations. Key responsibilities of the Department include:

- Assessment of the adequacy and effectiveness of the Company's system of internal controls over its activities and risk management.
- Identification of opportunities for improving management control, resources utilisation and profitability.
- Special reviews and/or investigations as commissioned by Company management or the Audit Committee.

The Head of Internal Audit reports directly to the Chief Executive Officer and has direct access to the Audit Committee.

## Business Ethics

Please refer to pages 42 to 43.

## Policies

The Board has adopted the following risk management strategies and policies:

- A** Construction and Insurance Risk Management Strategy;
- B** Finance Risk Management Strategy;
- C** Treasury Risk Management Strategy;
- D** Safety Risk Management Strategy;
- E** Enterprise Risk Management Strategy;
- F** Security Risk Management Policy; and
- G** Environmental Risk Management Policy.

## Public Float

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granted to the Company, at the time of its listing on the Main Board of the Stock Exchange in 2000, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules ("Public Float Waiver"). Pursuant to the Public Float Waiver, the Company's prescribed minimum percentage of shares which must be in the hands of the public must not be less than 10% of the total issued share capital of the Company. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required by the Public Float Waiver.

## Summary Financial Statements

The state of affairs of the Group as at 31 December 2009 and of its results for the year are set out in the summary financial statements on pages 64 to 78.

## Ten-Year Statistics

A summary of the results and of the assets and liabilities of the Group together with some major operational statistics for the last ten years are set out on pages 28 to 29.

## Fixed Assets and Railway Construction in Progress

Movements in fixed assets and railway construction in progress during the year are set out in note 5 to the summary financial statements.

## Movements in Reserves

Movements in reserves during the year are set out in the Consolidated Statement of Changes in Equity.

## Share Capital

As at 31 December 2008, the authorised share capital of the Company was HK\$6.5 billion, divided into 6.5 billion Ordinary Shares, 5,661,143,113 of which were issued and credited as fully paid.

During the year, the Company issued a total of 66,690,579 Ordinary Shares. Of this number:

- A** 657,500 Ordinary Shares were issued by the Company pursuant to the exercise of share options which had been granted under the Company's Pre-Global Offering Share Option Scheme. In respect of each Ordinary Share issued, the relevant exercise price per share of options is HK\$8.44 to the Company;
- B** 828,500 Ordinary Shares were issued by the Company pursuant to the exercise of share options which had been granted under the Company's New Joiners Share Option Scheme. In respect of each Ordinary Share issued, the relevant exercise price per share of options are HK\$9.75, HK\$15.97 and HK\$20.66 to the Company;
- C** 56,500 Ordinary Shares were issued by the Company pursuant to the exercise of share options which had been granted under the Company's 2007 Share Option Scheme. In respect of each Ordinary Share issued, the relevant exercise price per share of options is HK\$18.30 to the Company;
- D** 50,160,754 Ordinary Shares were issued by the Company in order to satisfy shareholders' scrip dividend elections in respect of the final dividend of the Company for the year ended 31 December 2008 (for which the cash dividend was HK\$0.34 per Ordinary Share); and
- E** 14,987,325 Ordinary Shares were issued by the Company in order to satisfy shareholders' scrip dividend elections in respect of the interim dividend of the Company for the six months ended 30 June 2009 (for which the cash dividend was HK\$0.14 per Ordinary Share).

As at 31 December 2009, the authorised share capital of the Company was HK\$6.5 billion, divided into 6.5 billion Ordinary Shares, 5,727,833,692 of which were issued and credited as fully paid.

### **Redemption of Listed Securities**

The Company redeemed its US\$750 million global notes on 4 February 2009. The notes were listed on the Hong Kong Stock Exchange and the Luxembourg Stock Exchange prior to the redemption.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the financial year 2009.

### **Donations**

During the year, the Company donated a total of HK\$320,000 to charitable and community organisations.

In addition, the MTR HONG KONG Race Walking 2009 raised more than HK\$1 million for the Hospital Authority Health InfoWorld to promote good health.

The Company helped raise funds for the Community Chest and the Hong Kong Cancer Fund with a total cash donation of over HK\$284,000 through different activities such as CARE Scheme, Green Day, Love Teeth Day and Dress Special Day for the former organisation and Dress Pink Day for the latter.

### **Reporting and Monitoring**

There is a comprehensive budgeting system for all operational and business activities, with an annual budget approved by the Board. Monthly results of the Company's operations, businesses and projects are reported against the budget to the Board and updated forecasts for the year are prepared regularly.

### **Treasury Management**

The Company's Treasury Department operates within approved guidelines from the Board. It manages the Company's debt profile with reference to the Preferred Financing Model which defines the preferred mix of financing instruments, fixed and floating rate debts, maturities, interest rate risks, currency exposure and financing horizon. The model is reviewed and refined periodically to reflect changes in the Company's financing requirements and market environment. Derivative financial instruments such as interest rate swaps and cross currency swaps are used only as hedging tools to manage the Group's exposure to interest rate and currency risks. Prudent guidelines and procedures are in place to control the Company's derivatives activities, including a comprehensive credit risk management system for monitoring counterparty credit exposure using the Value-at-Risk approach. There is also appropriate segregation of duties within the Company's Treasury Department.

Major financing transactions and guidelines for derivatives transactions including credit risk management framework are approved at the Board level.

### **Capital and Revenue Expenditure**

There are defined procedures for the appraisal, review and approval of major capital and revenue expenditures. All project expenditure over 0.2% of the net assets of the Company and the employment of consultancy services over 0.1% of the net assets of the Company require the approval of the Board.

### **Bonds and Notes Issued**

The Group issued bonds and notes during the year ended 31 December 2009, details of which are set out in note 6 to the summary financial statements. Such bonds and notes were issued in order to meet the Group's general corporate funding requirements, including the financing of new capital expenditure and the refinancing of maturing debts.

### **Computer Processing**

There are defined procedures, controls and regular quality reviews on the operation of computer systems to ensure the accuracy and completeness of financial records and efficiency of data processing. The Company's computer centre operation and support, help desk operation and support services, and also software development and maintenance, have been certified under ISO 9001:2000. Disaster recovery rehearsal on critical applications is conducted annually.

### **Interests in Contracts of Members of the Board and the Executive Directorate**

There was no contract of significance, to which the Company or any of its subsidiaries was a party and in which a Member of the Board or a Member of the Executive Directorate had a material interest (whether direct or indirect), which subsisted at the end of the year or at any time during the year.

### **Board Members' and Executive Directorate's Interests in Shares**

As at 31 December 2009, 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 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	51,499	–	–	–	–	51,499	0.00090
Chow Chung-kong	–	–	–	1,660,000 (Note 1)	222,161 (Note 2)	1,882,161	0.03286
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	4,983	–	–	–	–	4,983	0.00009
Russell John Black	57,389	–	–	382,500 (Note 1)	–	439,889	0.00768
William Chan Fu-keung	46,960	–	–	(i) 117,500 (Note 3) (ii) 510,000 (Note 1)	–	674,460	0.01178
Thomas Ho Hang-kwong	146,223	2,541	–	510,000 (Note 1)	–	658,764	0.01150
Lincoln Leong Kwok-kuen	23,000	–	23,000 (Note 4)	(i) 417,500 (Note 5) (ii) 510,000 (Note 1)	160,000 (Note 6)	1,133,500	0.01979
Andrew McCusker	–	–	–	510,000 (Note 1)	–	510,000	0.00890
Leonard Bryan Turk	–	–	–	510,000 (Note 1)	–	510,000	0.00890

Member of 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		
Chew Tai Chong (Note 7)	–	–	–	255,000 (Note 1)	–	255,000	0.00445

### 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).
- Further details of the above share options are set out in the table below showing details of the options to subscribe for ordinary shares granted under the Pre-Global Offering Share Option Scheme.
- The 23,000 shares are held by Linsan Investment Ltd., a private limited company beneficially wholly owned by 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.
- Lincoln Leong Kwok-kuen has a derivative interest in respect of 160,000 shares in the Company within the meaning of Part XV of the SFO. That derivative interest represents Mr. Leong's entitlement to receive an equivalent value in cash of 160,000 shares in the Company on 9 April 2010.
- Chew Tai Chong became the Projects Director and a Member of the Executive Directorate on 1 February 2010.

\* Interests as beneficial owner

† Interests of spouse or child under 18 as beneficial owner

### Options to Subscribe for Ordinary Shares Granted under the Pre-Global Offering Share Option Scheme, as Referred to in Note 3B(i) to the Summary Financial Statements

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 2009	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2009	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
William Chan Fu-keung	20/9/2000	1,066,000	5/4/2001 – 11/9/2010	217,500	–	–	100,000	8.44	117,500	23.25
Other eligible employees	20/9/2000	41,409,000	5/4/2001 – 11/9/2010	3,388,000	–	–	557,500	8.44	2,830,500	23.21

#### Notes

- The Pre-Global Offering Share Option Scheme ("Pre-IPO Option Scheme") is valid and effective for a period of ten years after 12 September 2000. No option may be offered to be granted under the Pre-IPO Option Scheme on or after the commencement of dealings in shares of the Company on Stock Exchange on 5 October 2000 ("Listing Date").
- The number of shares to which the option granted to each participant under the Pre-IPO Option Scheme does not exceed 25% of the number of the shares issued and issuable under the Pre-IPO Option Scheme.
- The above share options fully vested on 5 October 2003. The proportion of underlying shares in respect of which the share options have vested is as follows:

Date	Proportion of underlying shares in respect of which an option is vested
Before 5 October 2001	none
5 October 2001 to 4 October 2002	one-third
5 October 2002 to 4 October 2003	two-thirds
After 4 October 2003	all

Vesting of the share options may be accelerated to an earlier date in some circumstances. However, no such option shall vest and become exercisable before 5 April 2001, i.e. the date falling six months after the Listing Date.

### Options to Subscribe for Ordinary Shares Granted under the New Joiners Share Option Scheme, as Referred to in Note 3B(ii) to the Summary Financial Statements

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 2009	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2009	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	1,043,000	–	–	–	625,500	9.75	417,500	27.37
Other eligible employees	1/8/2003	495,200	14/7/2004 – 14/7/2013	202,200	–	–	–	63,000	9.75	139,200	26.42
	13/9/2005	94,000	9/9/2006 – 9/9/2015	49,000	–	–	–	49,000	15.97	–	27.40
	23/9/2005	213,000	9/9/2006 – 9/9/2015	213,000	–	–	–	–	15.97	213,000	–
	31/3/2006	94,000	20/3/2007 – 20/3/2016	94,000	–	31,000	–	–	18.05	94,000	–
	5/10/2006	94,000	29/9/2007 – 29/9/2016	94,000	–	31,000	–	–	19.732	94,000	–
	12/5/2006	266,500	25/4/2007 – 25/4/2016	266,500	–	88,500	–	–	20.66	266,500	–
	15/5/2006	213,000	25/4/2007 – 25/4/2016	183,000	–	71,000	–	91,000	20.66	92,000	26.03
	22/3/2007	355,500	19/3/2008 – 19/3/2017	355,500	–	–	355,500	–	19.404	–	–

■ **Options to Subscribe for Ordinary Shares Granted under the New Joiners Share Option Scheme, as Referred to in Note 3B(ii) to the Summary Financial Statements (continued)**

Notes

- 1 No option may be exercised later than ten years after its date of offer and no option may be offered to be granted more than five years after the adoption of the New Joiners Share Option Scheme ("New Option Scheme") on 16 May 2002.
- 2 Unless approved by shareholders in the manner as required by the Listing Rules, the total number of shares issued and issuable upon exercise of the options granted to any eligible employee under the New Option Scheme together with the total number of shares issued and issuable upon the exercise of any option granted to such eligible employee under any other share option scheme of the Company (including, in each case, both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue at the date of offer in respect of such option under the New Option Scheme.
- 3 The proportion of underlying shares in respect of which the above share options will vest is as follows:

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

■ **Options to Subscribe for Ordinary Shares Granted under the 2007 Share Option Scheme, as Referred to in Note 3B (iii) to the Summary Financial Statements**

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 2009	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2009	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	–	240,000	–	–	27.60	720,000	–
	9/12/2008	470,000	8/12/2009 – 8/12/2015	470,000	–	157,000	–	–	18.30	470,000	–
	9/12/2009	470,000	8/12/2010 – 8/12/2016	–	470,000	–	–	–	26.85	470,000	–
Russell John Black	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	57,000	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	10/12/2009	42,500	8/12/2010 – 8/12/2016	–	42,500	–	–	–	26.85	42,500	–
William Chan Fu-keung	13/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	57,000	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	–	170,000	–	–	–	26.85	170,000	–
Thomas Ho Hang-kwong	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	57,000	–	–	27.60	170,000	–
	11/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	14/12/2009	170,000	8/12/2010 – 8/12/2016	–	170,000	–	–	–	26.85	170,000	–
Lincoln Leong Kwok-kuen	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	57,000	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	–	170,000	–	–	–	26.85	170,000	–
Andrew McCusker	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	57,000	–	–	27.60	170,000	–
	12/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	–	170,000	–	–	–	26.85	170,000	–
Leonard Bryan Turk	12/12/2007	170,000	10/12/2008 – 10/12/2014	170,000	–	57,000	–	–	27.60	170,000	–
	9/12/2008	170,000	8/12/2009 – 8/12/2015	170,000	–	57,000	–	–	18.30	170,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	–	170,000	–	–	–	26.85	170,000	–

■ Options to Subscribe for Ordinary Shares Granted under the 2007 Share Option Scheme, as Referred to in Note 3B(iii) to the Summary Financial Statements (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 2009	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2009	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Chew Tai Chong (Note 4)	18/6/2009	85,000	12/6/2010 – 12/6/2016	–	85,000	–	–	–	24.50	85,000	–
	10/12/2009	170,000	8/12/2010 – 8/12/2016	–	170,000	–	–	–	26.85	170,000	–
Other eligible employees	11/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	15,000	–	–	27.60	45,000	–
	12/12/2007	1,880,000	10/12/2008 – 10/12/2014	1,792,000	–	559,500	226,000	–	27.60	1,566,000	–
	13/12/2007	915,000	10/12/2008 – 10/12/2014	915,000	–	309,000	–	–	27.60	915,000	–
	14/12/2007	1,005,000	10/12/2008 – 10/12/2014	1,005,000	–	330,500	32,000	–	27.60	973,000	–
	15/12/2007	435,000	10/12/2008 – 10/12/2014	370,000	–	124,500	–	–	27.60	370,000	–
	17/12/2007	835,000	10/12/2008 – 10/12/2014	835,000	–	283,000	62,000	–	27.60	773,000	–
	18/12/2007	445,000	10/12/2008 – 10/12/2014	380,000	–	128,000	–	–	27.60	380,000	–
	19/12/2007	115,000	10/12/2008 – 10/12/2014	115,000	–	39,000	–	–	27.60	115,000	–
	20/12/2007	190,000	10/12/2008 – 10/12/2014	190,000	–	63,500	–	–	27.60	190,000	–
	21/12/2007	45,000	10/12/2008 – 10/12/2014	45,000	–	15,000	–	–	27.60	45,000	–
	22/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	12,000	–	–	27.60	35,000	–
	24/12/2007	118,000	10/12/2008 – 10/12/2014	118,000	–	39,500	–	–	27.60	118,000	–
	28/12/2007	35,000	10/12/2008 – 10/12/2014	35,000	–	12,000	–	–	27.60	35,000	–
	31/12/2007	130,000	10/12/2008 – 10/12/2014	130,000	–	43,500	–	–	27.60	130,000	–
	2/1/2008	75,000	10/12/2008 – 10/12/2014	75,000	–	25,500	–	–	27.60	75,000	–
	3/1/2008	40,000	10/12/2008 – 10/12/2014	40,000	–	13,500	–	–	27.60	40,000	–
	4/1/2008	65,000	10/12/2008 – 10/12/2014	65,000	–	–	65,000	–	27.60	–	–
	7/1/2008	125,000	10/12/2008 – 10/12/2014	125,000	–	42,000	–	–	27.60	125,000	–
	28/3/2008	255,000	26/03/2009 – 26/03/2015	255,000	–	87,500	–	–	26.52	255,000	–
	31/3/2008	379,000	26/03/2009 – 26/03/2015	379,000	–	131,000	–	–	26.52	379,000	–
	1/4/2008	261,000	26/03/2009 – 26/03/2015	261,000	–	91,000	–	–	26.52	261,000	–
	2/4/2008	296,000	26/03/2009 – 26/03/2015	296,000	–	103,000	–	–	26.52	296,000	–
	3/4/2008	171,000	26/03/2009 – 26/03/2015	171,000	–	59,500	–	–	26.52	171,000	–
	4/4/2008	23,000	26/03/2009 – 26/03/2015	23,000	–	8,000	–	–	26.52	23,000	–
	5/4/2008	17,000	26/03/2009 – 26/03/2015	17,000	–	6,000	–	–	26.52	17,000	–
	7/4/2008	390,000	26/03/2009 – 26/03/2015	358,000	–	124,000	–	–	26.52	358,000	–
	8/4/2008	174,000	26/03/2009 – 26/03/2015	155,000	–	54,000	–	–	26.52	155,000	–
9/4/2008	85,000	26/03/2009 – 26/03/2015	85,000	–	29,500	–	–	26.52	85,000	–	
10/4/2008	58,000	26/03/2009 – 26/03/2015	58,000	–	20,000	–	–	26.52	58,000	–	
11/4/2008	134,000	26/03/2009 – 26/03/2015	117,000	–	40,500	–	–	26.52	117,000	–	
12/4/2008	48,000	26/03/2009 – 26/03/2015	48,000	–	16,500	–	–	26.52	48,000	–	
14/4/2008	40,000	26/03/2009 – 26/03/2015	40,000	–	14,000	–	–	26.52	40,000	–	
15/4/2008	34,000	26/03/2009 – 26/03/2015	34,000	–	12,000	–	–	26.52	34,000	–	
16/4/2008	57,000	26/03/2009 – 26/03/2015	40,000	–	14,000	–	–	26.52	40,000	–	
17/4/2008	147,000	26/03/2009 – 26/03/2015	124,000	–	43,000	–	–	26.52	124,000	–	
18/4/2008	32,000	26/03/2009 – 26/03/2015	32,000	–	5,000	17,000	–	26.52	15,000	–	
19/4/2008	25,000	26/03/2009 – 26/03/2015	25,000	–	8,500	–	–	26.52	25,000	–	
20/4/2008	23,000	26/03/2009 – 26/03/2015	23,000	–	8,000	23,000	–	26.52	–	–	
21/4/2008	66,000	26/03/2009 – 26/03/2015	66,000	–	23,000	–	–	26.52	66,000	–	



■ **Options to Subscribe for Ordinary Shares Granted under the 2007 Share Option Scheme, as Referred to in Note 3B(iii) to the Summary Financial Statements (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 2009	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Exercise price per share of options (HK\$)	Options outstanding as at 31 December 2009	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Other eligible employees	23/4/2008	34,000	26/03/2009 – 26/03/2015	19,000	–	6,500	–	–	26.52	19,000	–
	8/12/2008	155,000	8/12/2009 – 8/12/2015	155,000	–	52,500	45,000	–	18.30	110,000	–
	9/12/2008	313,000	8/12/2009 – 8/12/2015	313,000	–	106,000	–	–	18.30	313,000	–
	10/12/2008	2,176,400	8/12/2009 – 8/12/2015	2,176,400	–	734,000	–	15,000	18.30	2,161,400	26.25
	11/12/2008	2,294,200	8/12/2009 – 8/12/2015	2,294,200	–	772,500	–	–	18.30	2,294,200	–
	12/12/2008	1,311,500	8/12/2009 – 8/12/2015	1,311,500	–	427,000	–	6,500	18.30	1,305,000	26.65
	13/12/2008	84,500	8/12/2009 – 8/12/2015	84,500	–	28,500	–	–	18.30	84,500	–
	14/12/2008	88,200	8/12/2009 – 8/12/2015	88,200	–	30,000	–	8,500	18.30	79,700	26.75
	15/12/2008	1,084,700	8/12/2009 – 8/12/2015	1,084,700	–	366,500	–	–	18.30	1,084,700	–
	16/12/2008	581,500	8/12/2009 – 8/12/2015	581,500	–	197,000	–	–	18.30	581,500	–
	17/12/2008	513,500	8/12/2009 – 8/12/2015	513,500	–	173,000	–	–	18.30	513,500	–
	18/12/2008	611,500	8/12/2009 – 8/12/2015	611,500	–	206,500	–	–	18.30	611,500	–
	19/12/2008	198,000	8/12/2009 – 8/12/2015	198,000	–	67,000	–	–	18.30	198,000	–
	20/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	6,500	–	–	18.30	19,000	–
	22/12/2008	772,500	8/12/2009 – 8/12/2015	772,500	–	259,500	–	5,000	18.30	767,500	26.65
	23/12/2008	306,000	8/12/2009 – 8/12/2015	306,000	–	104,000	–	6,500	18.30	299,500	26.30
	24/12/2008	500,500	8/12/2009 – 8/12/2015	500,500	–	168,500	–	15,000	18.30	485,500	26.25
	25/12/2008	45,000	8/12/2009 – 8/12/2015	45,000	–	15,000	–	–	18.30	45,000	–
	29/12/2008	148,000	8/12/2009 – 8/12/2015	148,000	–	50,000	–	–	18.30	148,000	–
	30/12/2008	19,000	8/12/2009 – 8/12/2015	19,000	–	6,500	–	–	18.30	19,000	–
	18/6/2009	170,000	12/6/2010 – 12/6/2016	–	170,000	–	–	–	24.50	170,000	–
	6/7/2009	45,000	12/6/2010 – 12/6/2016	–	45,000	–	–	–	24.50	45,000	–
	9/7/2009	45,000	12/6/2010 – 12/6/2016	–	45,000	–	–	–	24.50	45,000	–
	9/12/2009	200,000	8/12/2010 – 8/12/2016	–	200,000	–	–	–	26.85	200,000	–
	10/12/2009	1,958,500	8/12/2010 – 8/12/2016	–	1,958,500	–	–	–	26.85	1,958,500	–
	11/12/2009	2,362,000	8/12/2010 – 8/12/2016	–	2,362,000	–	–	–	26.85	2,362,000	–
	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	–	19,000	–	–	–	26.85	19,000	–
	14/12/2009	2,338,000	8/12/2010 – 8/12/2016	–	2,338,000	–	–	–	26.85	2,338,000	–
	15/12/2009	2,838,000	8/12/2010 – 8/12/2016	–	2,838,000	–	–	–	26.85	2,838,000	–
	16/12/2009	1,550,000	8/12/2010 – 8/12/2016	–	1,550,000	–	–	–	26.85	1,550,000	–
	17/12/2009	1,000,000	8/12/2010 – 8/12/2016	–	1,000,000	–	–	–	26.85	1,000,000	–
	18/12/2009	389,000	8/12/2010 – 8/12/2016	–	389,000	–	–	–	26.85	389,000	–
	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	–	–	–	26.85	520,000	–
	22/12/2009	256,000	8/12/2010 – 8/12/2016	–	256,000	–	–	–	26.85	256,000	–

Notes

- 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 ("2007 Option Scheme") on 7 June 2007.
- Unless approved by shareholders in the manner as required by the Listing Rules, the total number of shares issued and issuable upon exercise of the options granted to any eligible employee under the 2007 Option Scheme together with the total number of shares issued and issuable upon the exercise of any option granted to such eligible employee under any other share option scheme of the Company (including, in each case, both exercised and outstanding options) in any 12-month period must not exceed 0.2% of the shares of the Company in issue at the date of offer in respect of such option under the 2007 Option Scheme.

■ **Options to Subscribe for Ordinary Shares Granted under the 2007 Share Option Scheme, as Referred to in Note 3B(iii) to the Summary Financial Statements** *(continued)*

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

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

4 Chew Tai Chong became the Projects Director and a Member of the Executive Directorate on 1 February 2010.

During the year ended 31 December 2009, 1,362,500 and 14,700,500 options to subscribe for shares of the Company were granted to 7 Members of the Executive Directorate and 424 employees respectively under the 2007 Share Option Scheme. Details of the grant are set out in the tables above. The respective closing price per share immediately before the respective date of grant of the options is set out below. Pursuant to the terms of the

Scheme, each grantee undertakes to pay HK\$1.00, on demand, to the Company, in consideration for the grant of the options. The share options granted are recognised on an accrued vesting basis in the accounts. The weighted average value per option granted, estimated at the respective date of grant using the Black-Scholes pricing model is as follows:

Date granted	Closing price per share immediately before the date of grant (HK\$)	Estimated risk-free interest rate (%)	Expected life (Years)	Estimated Volatility	Expected dividend per share (HK\$)	Weighted average value per option granted (HK\$)
18/6/2009	23.65	1.56	3.5	0.31	0.45	5.27
6/7/2009	23.55	1.44	3.5	0.31	0.48	4.52
9/7/2009	23.45	1.29	3.5	0.31	0.48	4.41
9/12/2009	26.85	0.98	3.5	0.31	0.48	5.47
10/12/2009	26.35	0.98	3.5	0.31	0.48	5.17
11/12/2009	26.45	0.98	3.5	0.31	0.48	5.23
12/12/2009	26.50	0.98	3.5	0.31	0.48	5.25
13/12/2009	26.50	0.98	3.5	0.31	0.48	5.25
14/12/2009	26.50	0.99	3.5	0.31	0.48	5.25
15/12/2009	26.65	1.04	3.5	0.31	0.48	5.36
16/12/2009	26.25	1.11	3.5	0.31	0.48	5.14
17/12/2009	26.30	1.13	3.5	0.31	0.48	5.17
18/12/2009	26.10	1.10	3.5	0.31	0.48	5.05
19/12/2009	26.35	1.10	3.5	0.31	0.48	5.18
20/12/2009	26.35	1.10	3.5	0.31	0.48	5.18
21/12/2009	26.35	1.08	3.5	0.31	0.48	5.18
22/12/2009	26.15	1.15	3.5	0.31	0.48	5.08

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

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 year ended 31 December 2009, 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 31 December 2009 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)	4,400,715,809	76.83

The Company has been informed by the Government that, as at 31 December 2009, approximately 0.62% 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.

### Major Suppliers and Customers

Less than 30% in value of supplies (which were not of a capital nature) purchased during the year ended 31 December 2009 was attributable to the Company's five largest suppliers. Less than 30% in value of the Company's turnover during the year ended 31 December 2009 was attributable to the Company's five largest customers combined by value.

### Going Concern

The summary financial statements on pages 64 to 78 have been prepared on a going concern basis. The Board has reviewed the Company's budget for 2010, together with the longer-term forecast for the following five years and is satisfied that the Company has sufficient resources to continue as a going concern for the foreseeable future.

By order of the Board

Leonard Bryan Turk  
Secretary to the Board  
Hong Kong, 9 March 2010