

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.

The Company has complied throughout the half-year ended 30 June 2009 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 that, with respect to Code Provision A.4.1, non-executive Directors of the Company are not appointed for a specific term but are subject (save for those appointed pursuant to Section 8 of the Mass Transit Railway Ordinance (Cap. 556 of the Laws of Hong Kong) (the "MTR 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. As there are currently eight Directors subject to the requirement to retire by rotation, and one-third of them shall retire at each annual general meeting of the Company (subject to re-election by the shareholders), each of these Directors is effectively appointed for a term of approximately three years.

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 of 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, 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 Hong Kong Special Administrative Region of the People's Republic of China ("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.

Dr. Raymond Ch'ien Kuo-fung, a Member of the Board since 1998, was appointed by the Government of the HKSAR (the "Government") on 8 August 2007 as the non-executive Chairman of the Company for a term of 24 months with effect from the Rail Merger, which took effect from 2 December 2007. Dr. Ch'ien was first appointed as the non-executive Chairman of the Company with effect from 21 July 2003 for a term of three years, which was renewed in 2006 for a further term up to 31 July 2007. In July 2007, Dr. Ch'ien was re-appointed as the non-executive Chairman of the Company with effect from 1 August 2007 for a term up to 31 December 2007 or the day to be appointed by the Secretary for Transport and Housing by notice published in the Gazette under the Rail Merger Ordinance, whichever was the earlier. The Rail Merger Ordinance relates to the Rail Merger between the Company and KCRC.

Mr. Chow Chung-kong, a Member of the Board and the Chief Executive Officer since 2003, was selected by the Government on 8 August 2007 as the Chief Executive Officer of the Company after the Rail Merger. On 1 June 2009, he was reappointed as the Chief Executive Officer for the period from 1 December 2009 to 31 December 2011. Mr. Chow was first appointed as the Chief Executive Officer of the Company with effect from 1 December 2003 for a term of three years. His contract was renewed for a further term of three years from 1 December 2006 to 30 November 2009.

At the 2009 Annual General Meeting on 4 June 2009 (the "2009 AGM"), Dr. Raymond Ch'ien Kuo-fung and Mr. T. Brian Stevenson retired from office by rotation pursuant to Articles 87 and 88 of the Articles of Association of the Company, and were re-elected as non-executive Director and independent non-executive Director respectively.

With effect from the conclusion of the 2009 AGM, Professor Cheung Yau-kai retired as an independent non-executive Director by rotation pursuant to Articles 87 and 88 of the Company's Articles of Association, and did not offer himself for re-election.

Mr. Vincent Cheng Hoi-chuen, Chairman of The Hongkong and Shanghai Banking Corporation Limited and Chairman of HSBC Bank (China) Company Limited, has been appointed

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as an independent non-executive Director of the Company with effect from 10 July 2009. Also, with effect from the same date, Mr. Cheng has been appointed as a member of both the Remuneration Committee and the Corporate Responsibility Committee of the Company.

Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”)

The Company has adopted the Model Code. After having made specific enquiry, the Company confirms that, save as disclosed in the following paragraph, Members of the Board and the Executive Directorate complied throughout the half-year ended 30 June 2009 with the Model Code set out in Appendix 10 to the Listing Rules. 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.

As reported in the Corporate Governance Report of the Company's 2008 Annual Report (page 102), an alternate director has reported in writing to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) that in January 2009, due to an oversight, he and his spouse disposed of an aggregate of 2,084 shares in the Company without having first notified in writing the Chairman of the Company and received a dated written acknowledgement from the Chairman in accordance with the Model Code. The report was made shortly after the dealings. He has also given the Company and the Stock Exchange a written confirmation that he did not possess any unpublished price sensitive information of the Company at the time of the dealings. With a view to ensuring compliance with the Model Code, the Company has reminded him in writing of his obligations under the Model Code.

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. The Terms of Reference of the Audit Committee were revised and approved by the Board in January 2009 in the light of the amendments to the Listing Rules, which became effective on 1 January 2009, to reflect the new oversight role of the Audit Committee in the review of the

adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget, as well as the removal of the requirement for a qualified accountant. The Terms of Reference were further revised and approved by the Board in March 2009 to permit the Secretary of the Committee shall either be the Company Secretary or his designate. The updated Terms of Reference are available on the Company's website.

All the Members of the Audit Committee are non-executive Directors, namely T. Brian Stevenson (chairman), Professor Cheung Yau-kai (up to the conclusion of the 2009 AGM), Ng Leung-sing and the Commissioner for Transport (Alan Wong Chi-kong). Mr. Stevenson and Mr. Ng are also independent non-executive Directors, while Professor Cheung was an independent non-executive Director before his retirement.

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.

All the Members of the Remuneration Committee are non-executive Directors, namely Edward Ho Sing-tin (chairman), T. Brian Stevenson and Professor Chan Ka-keung, Ceajer. Mr. Ho and Mr. Stevenson are also independent non-executive Directors. As mentioned above, Mr. Vincent Cheng Hoi-chuen has been appointed a member of the Committee with effect from 10 July 2009.

In the light of the appointment of Mr. Cheng as a member of the Committee, the Terms of Reference of the Remuneration Committee were revised and approved by the Board in July 2009, such that the Committee shall consist of at least three members with a majority of them being independent non-executive Directors, and that the quorum necessary for the transaction of the business of the Committee shall be three non-executive Directors of the Committee, a majority of whom shall be independent non-executive Directors. The updated Terms of Reference are available on the Company's website.

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 (“CEO”), Finance Director (“FD”) and Chief Operating Officer (“COO”) (provided that the COO position exists). For the positions of FD and COO, the Committee may consider candidates recommended by the CEO, or any other candidates (provided that the CEO shall have the right to first agree to such other candidates).

The Committee consists of seven non-executive Directors, four of whom are independent non-executive Directors. Members of the Nominations 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. Ng and Mr. Shek are also independent non-executive Directors.

Corporate Responsibility Committee

The duties of the Committee include monitoring and overseeing the implementation of the Company’s corporate responsibility policy and initiatives, identifying emerging corporate responsibility issues arising from external trends and providing updates to the Board as required. The Committee normally meets two times a year.

Under its Terms of Reference, the Members shall consist of at least three non-executive Directors, two of whom shall be independent non-executive Directors, and two Members of the Executive Directorate. The Chairman of the Company is the chairman of the Committee. Members of the Committee include Dr. Raymond Ch’ien Kuo-fung (chairman), the Secretary for Transport and Housing (Ms. Eva Cheng), Ms. Christine Fang Meng-sang, Mr. Abraham Shek Lai-him, Mr. Leonard Bryan Turk (Legal Director & Secretary) and Mr. Thomas Ho Hang-kwong (Property Director). Mr. Vincent Cheng Hoi-chuen, who joined the Board on 10 July 2009 as an independent non-executive Director, has been appointed a member of the Committee with effect from the same date.

Changes in Information of Directors

Pursuant to the requirements of Rule 13.51B(1) of the Listing Rules, Dr. Raymond Ch’ien Kuo-fung stepped down as a non-executive director of Inchcape plc at its annual general meeting on 14 May 2009. Mr. Chow Chung-kong has been reappointed as the Chief Executive Officer of the Company (please refer to page 19). In addition, he is a Vice Chairman of The Hong Kong General Chamber of Commerce since 19 May 2009.

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. The framework covers all key business areas of the Company and provides a useful forum for communicating

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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 enhanced through internal and external reviews. Structured cross-discipline processes and organizations are put in place at corporate and divisional levels for risk identification, assessment, mitigation and monitoring. A standard 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 ("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 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 everyday management processes. Risks associated with major changes and new businesses such as material local and overseas railway construction, investment businesses and consultancy projects are assessed at key stages and project milestones to support decision making. The Enterprise Risk Management Department plays a central role in facilitating risk assessments and reviewing existing and emerging business risks.

The Executive Committee reviews key enterprise risks half-yearly and the Board annually to ensure that such risks are under satisfactory control.

The Audit Committee also reviews annually the implementation and the ERM organization and processes that have been put in place.

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.

In keeping with best practices and prior to the coming into effect of the amendments to the Listing Rules on 1 January 2009 to reflect the role of the Audit Committee in overseeing the Management's review of the adequacy of staffing of the financial and reporting function, the Company has already built into its system an annual budgeting review, an effective recruitment process as well as a training and development programme for staff of the accounting and financial reporting function. All these enable the Board, through the Audit Committee, to review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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 2008, 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 2008 which might affect shareholders.

Board Members' and Executive Directorate's Interests in Shares

As at 30 June 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:

| 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 | | |
| | | | | Personal* interests | Personal* interests | | |
| Raymond Ch'ien Kuo-fung | 51,230 | – | – | – | – | 51,230 | 0.00090 |
| Chow Chung-kong | – | – | – | 1,190,000 (Note 1) | 418,017 (Note 2) | 1,608,017 | 0.02815 |
| T. Brian Stevenson | 4,957 | – | – | – | – | 4,957 | 0.00009 |
| Christine Fang Meng-sang | 1,712 | – | – | – | – | 1,712 | 0.00003 |
| Russell John Black | 57,089 | – | – | 340,000 (Note 1) | – | 397,089 | 0.00695 |
| William Chan Fu-keung | 46,960 | – | – | (i) 217,500 (Note 3) (ii) 340,000 (Note 1) | – | 604,460 | 0.01058 |
| Thomas Ho Hang-kwong | 385,463 | 2,541 | – | 340,000 (Note 1) | – | 728,004 | 0.01275 |
| Lincoln Leong Kwok-kuen | 23,000 | – | 23,000 (Note 4) | (i) 1,043,000 (Note 5) (ii) 340,000 (Note 1) | 160,000 (Note 6) | 1,589,000 | 0.02782 |
| Andrew McCusker | – | – | – | 340,000 (Note 1) | – | 340,000 | 0.00595 |
| Leonard Bryan Turk | – | – | – | 340,000 (Note 1) | – | 340,000 | 0.00595 |

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 418,017 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 418,017 shares in the Company on completion of his three-year contract (on 30 November 2009).
 - 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.
- * Interests as beneficial owner
† Interests of spouse or child under 18 as beneficial owner

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| Options to Subscribe for Ordinary Shares Granted Under the Pre-Global Offering 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 2009 | 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 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 | – | – | – | 8.44 | 217,500 | – |
| Other eligible employees | 20/9/2000 | 41,409,000 | 5/4/2001 – 11/9/2010 | 3,388,000 | – | – | 277,000 | 8.44 | 3,111,000 | 19.37 |

Note:

All of the above share options were 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 |

| 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 2009 | 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 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 | – | – | – | – | 9.75 | 1,043,000 | – |
| Other eligible employees | 1/8/2003 | 495,200 | 14/7/2004 – 14/7/2013 | 202,200 | – | – | – | 5,000 | 9.75 | 197,200 | 19.64 |
| | 13/9/2005 | 94,000 | 9/9/2006 – 9/9/2015 | 49,000 | – | – | – | – | 15.97 | 49,000 | – |
| | 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 | – | – | – | – | 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 | – | 41,000 | 20.66 | 142,000 | 24.55 |
| | 22/3/2007 | 1,066,000 | 19/3/2008 – 19/3/2017 | 355,500 | – | – | 355,500 | – | 19.404 | – | – |

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 2009 | 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 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 | – | – | – | – | 27.60 | 720,000 | – |
| | 9/12/2008 | 470,000 | 8/12/2009 – 8/12/2015 | 470,000 | – | – | – | – | 18.30 | 470,000 | – |
| Russell John Black | 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 | – |
| 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 | – |
| 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 | – |
| 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 | – |
| Andrew McCusker | 12/12/2007 | 170,000 | 10/12/2008 – 10/12/2014 | 170,000 | – | – | – | – | 27.60 | 170,000 | – |
| | 12/12/2008 | 170,000 | 8/12/2009 – 8/12/2015 | 170,000 | – | – | – | – | 18.30 | 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 | – |
| Other eligible employees | 11/12/2007 | 45,000 | 10/12/2008 – 10/12/2014 | 45,000 | – | – | – | – | 27.60 | 45,000 | – |
| | 12/12/2007 | 1,880,000 | 10/12/2008 – 10/12/2014 | 1,792,000 | – | – | 87,000 | – | 27.60 | 1,705,000 | – |
| | 13/12/2007 | 915,000 | 10/12/2008 – 10/12/2014 | 915,000 | – | – | – | – | 27.60 | 915,000 | – |
| | 14/12/2007 | 1,005,000 | 10/12/2008 – 10/12/2014 | 1,005,000 | – | – | 25,000 | – | 27.60 | 980,000 | – |
| | 15/12/2007 | 435,000 | 10/12/2008 – 10/12/2014 | 370,000 | – | – | – | – | 27.60 | 370,000 | – |
| | 17/12/2007 | 835,000 | 10/12/2008 – 10/12/2014 | 835,000 | – | 13,500 | 13,000 | – | 27.60 | 822,000 | – |
| | 18/12/2007 | 445,000 | 10/12/2008 – 10/12/2014 | 380,000 | – | – | – | – | 27.60 | 380,000 | – |
| | 19/12/2007 | 115,000 | 10/12/2008 – 10/12/2014 | 115,000 | – | – | – | – | 27.60 | 115,000 | – |
| | 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 | 45,000 | – | – | – | – | 27.60 | 45,000 | – |
| | 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 | 75,000 | – | – | – | – | 27.60 | 75,000 | – |
| | 3/1/2008 | 40,000 | 10/12/2008 – 10/12/2014 | 40,000 | – | – | – | – | 27.60 | 40,000 | – |
| | 4/1/2008 | 65,000 | 10/12/2008 – 10/12/2014 | 65,000 | – | – | – | – | 27.60 | 65,000 | – |
| | 7/1/2008 | 125,000 | 10/12/2008 – 10/12/2014 | 125,000 | – | – | – | – | 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 | – | – | |

Corporate Governance and Other Information

| 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 2009 | 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 2009 | Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$) | |
| Other eligible employees | 21/4/2008 | 66,000 | 26/03/2009 – 26/03/2015 | 66,000 | – | 23,000 | – | – | 26.52 | 66,000 | – | |
| | 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 | – | – | – | – | 18.30 | 155,000 | – | |
| | 9/12/2008 | 313,000 | 8/12/2009 – 8/12/2015 | 313,000 | – | – | – | – | 18.30 | 313,000 | – | |
| | 10/12/2008 | 2,176,400 | 8/12/2009 – 8/12/2015 | 2,176,400 | – | – | – | – | 18.30 | 2,176,400 | – | |
| | 11/12/2008 | 2,294,200 | 8/12/2009 – 8/12/2015 | 2,294,200 | – | – | – | – | 18.30 | 2,294,200 | – | |
| | 12/12/2008 | 1,311,500 | 8/12/2009 – 8/12/2015 | 1,311,500 | – | – | – | – | 18.30 | 1,311,500 | – | |
| | 13/12/2008 | 84,500 | 8/12/2009 – 8/12/2015 | 84,500 | – | – | – | – | 18.30 | 84,500 | – | |
| | 14/12/2008 | 88,200 | 8/12/2009 – 8/12/2015 | 88,200 | – | – | – | – | 18.30 | 88,200 | – | |
| | 15/12/2008 | 1,084,700 | 8/12/2009 – 8/12/2015 | 1,084,700 | – | – | – | – | 18.30 | 1,084,700 | – | |
| | 16/12/2008 | 581,500 | 8/12/2009 – 8/12/2015 | 581,500 | – | – | – | – | 18.30 | 581,500 | – | |
| | 17/12/2008 | 513,500 | 8/12/2009 – 8/12/2015 | 513,500 | – | – | – | – | 18.30 | 513,500 | – | |
| | 18/12/2008 | 611,500 | 8/12/2009 – 8/12/2015 | 611,500 | – | – | – | – | 18.30 | 611,500 | – | |
| | 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 | 772,500 | – | – | – | – | 18.30 | 772,500 | – | |
| | 23/12/2008 | 306,000 | 8/12/2009 – 8/12/2015 | 306,000 | – | – | – | – | 18.30 | 306,000 | – | |
| | 24/12/2008 | 500,500 | 8/12/2009 – 8/12/2015 | 500,500 | – | – | – | – | 18.30 | 500,500 | – | |
| | 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 | 148,000 | – | – | – | – | 18.30 | 148,000 | – | |
| 30/12/2008 | 19,000 | 8/12/2009 – 8/12/2015 | 19,000 | – | – | – | – | 18.30 | 19,000 | – | | |
| 18/6/2009 | 255,000 | 12/6/2010 – 12/6/2016 | – | 255,000 | – | – | – | 24.50 | 255,000 | – | | |

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 |

During the six months ended 30 June 2009, 255,000 options to subscribe for shares of the Company were granted to 4 employees under the 2007 Share Option Scheme. Pursuant to the terms of this Scheme, each grantee undertakes to pay HK\$1.00, on demand, to the Company, in consideration for the grant of the options (the closing price per share immediately before the date of grant of the options is set out below). 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 |

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 six months ended 30 June 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 30 June 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) | 4,387,526,022 | 76.82 |

The Company has been informed by the Government that, as at 30 June 2009, approximately 0.59% 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 2009, the Group had borrowings of HK\$25,958 million in aggregate with maturities ranging from 2009 to 2020 and undrawn committed and uncommitted banking and other facilities of HK\$17,859 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 Securities

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

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2009.

Closure of Register of Members

The Register of Members of the Company will be closed from 31 August 2009 to 4 September 2009 (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 4:30 p.m. on 28 August 2009. The 2009 interim dividend is expected to be paid on or about 23 October 2009 to shareholders whose names appear on the Register of Members of the Company on 4 September 2009.